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*University of Sussex*

*School of Global Studies*

*Economic Dependency and the Political Economy of Post-neoliberalism in Argentina:*

*The Paradox between Commodities and Progressiveness,*

*The Case of the Soy Complex*

by

*Miguel A. Rivera Quiñones*

*A dissertation submitted to the University of Sussex in accordance with the requirements of  
the degree of Doctor of Philosophy in International Relations*

*October, 2012*

I hereby declare that this thesis has not been and will not be, submitted in whole or in part to another University for the award of any other degree.

**Signature:**.....

# *University of Sussex*

*Doctor of philosophy in International Relations*

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## **Abstract**

This dissertation investigates the role commodity exports are playing in making the hegemonic policies of Latin America's new progressive governments viable and the repercussions these are having on economic development. At the core of the analysis there is a study of those mechanisms which are making possible Kirchnerism's policies of industrialization, social redistribution and international autonomy viable, and, how these are reliant on reinforcing the commodity exporting economy in the country. Using Argentina as a case study the dissertation argues that this post-neoliberal progressive project is embedded in an essential paradox. This hinges on the way in which a more progressive post-neoliberal organization of capitalism is entrenched in reinforcing Argentina's subordinated integration into global capitalism as a commodity provider - a process which, in turn, is strengthening the country's dependent integration into the international economy. The Argentine soy complex is taken as a case study to provide an empirical base to the argument and provides a site for testing the main hypothesis of this study. The argument revisits the Latin American tradition of dependency theory. It explores to what extent the post-neoliberal political economy in Argentina, even if progressive, is reliant on commodity exports which are strengthening a situation of dependency that is then obstructing the prospects for long term economic development.

Chapter 2 explores how the Latin American tradition of dependency can provide a valuable setting to study the political economy of post-neoliberalism in the region. In chapter 3, I argue that a precise look at the current organization of how capital is realized in Argentina can show that the core of the processes of capital accumulation and social reproduction, embraced by Kirchnerism, represents a post-neoliberal rupture. Chapter 4 shows how the key hegemonic policies for Kirchnerism - of industrialization, social redistribution and international autonomy - are possible because of the recent growth of the commodity exporting economy. Chapter 5, establishes how Kirchnerism is reliant on the good performance of the soy complex in order to sustain these policies and, in chapter 6, there is an illustration of how the new situation of dependency hinders economic development prospects by using the soy complex as a case study. The major contribution this dissertation offers is an increased understanding of the political economy of these new progressive governments. In particular, the analysis shows the essential role that commodity exports have had in sustaining the key policies of these projects and also how the sustainability of a more social democratic organization of capitalism is hindering long term prospects for economic development

I dedicate this dissertation to my parents, because they always have been there for me.

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## ***Abbreviations***

**ACSOJA**-Asociacion de la Cadena de la Soja Argentina

**AFIP**-Administración Federal de Impuestos

**ALBA**-Alianza Bolivariana para los Pueblos

**AoA** – Agreement on Agriculture

**Apresid**-Asociacion Argentina de Productires de Siembra Directa

**ArPov**- Asociacion Argentina de Proteccion de Obstenciones Vegetales

**BCBA**-Bolsa de Cereales de Buenos Aires

**BCR**-Bolsa de Cereales de Rosario

**BRICS**- Brazil, Russia, India, China and South Africa

**CAB**-Camara Argentina de Biocombustible

**CAP**-Commun Agricultural Policy

**CCCA**-Camara de Comercio Chino-Argentina

**CEC**-Centro de Exportadores de Cereales

**CENDA**-Centro de Estudio Para el Desarrollo Argentino

**CER**-Competitive Exchange Rate

**CGT**-Central General del Trabajo

**CIA**-Central Inteligente Agency

**CIARA**- Camara de Industrias Aceiteras de la Republica Argentina

**CIFRA**-Centro de investigacion y formacion de la Republica Argentina

**CONAE**-Confederacion de Nacionaliades Indigenas de Ecuador

**CONINAGRO**-Conferacion Intercoperativa Agropecuaria

**CTA**-Central de Trabajadores Argentinos

**EC**-European Commission

**ECLA** –Economic Commission for Latin America and the Caribbean

**EU**-European Union

**EURO-27**- European Union including all its 27 member states

**FAA**-Federacion Agraria Argentina

**FAO**-Food and Agriculture Agency

**FDI**- Foreign Direct Investments

**FMLN**- Farabundo Marti para la Liberacion Nacional

**GAO**-Government’s Accounting office

**GM**-Genetically Modify

**GVC**- Global Value Chain

**IFIs**-International Financial Institutions

**IMF**-International Monetary Fund

**INDEC**-Instituto Nacional de Estadísticas

**INTA**-Instituto Nacional de Tecnología Agraria

**ISI**-Import Substitution Industrialization

**MAO**-Manufactures of Agricultural Origin

**MECOM**-Ministerio de Economía

**MIO**-Manufactures of Industrial Origins

**MOCASE**-Movimiento Campesino de Santiago del Estero

**MST**-Movimiento de Trabajadores sin Tierra

**NIC**-New Industrialized Countries

**OECD**- Organization of Economic Cooperation and Development

**PYMES**-Pequeñas y medianas empresas

**R & D**- Research and Development

**SGA**- Sociedad de Gremial de Acopiadores de Granos

**SRA**-Sociedad Rural Argentina

**TNC**- Transnational Corporations

**UIA**-Union de Industriales Argentinos

**UNASUR**- Union de Naciones de América del Sur

**UNTADC**-United Nation Trade and Development Commission

**USSR**-Union of Soviet Socialist Republics

**US**-United States

**USDA**-United States Department of Agriculture

**WIPO**-World International Property Rights Organization

**WTO**-World Trade Organization

**YPF**-Yacimientos Petrolíferos Fiscales

## Chapter 1:

### *Why studying Latin America's Progressive Governments?*

*'The cold war is over and Communism and the Socialist bloc have collapsed. The United States and Capitalism have won and in few areas of the globe is that victory as clear-cut, sweet and spectacular as in Latin-America. Democracy, free market economies and pro-American outpouring of sentiment and policy dot the landscape of the region where until recently left-wing confrontation and the potential for social revolution and progressive reform were widespread'*

*Jorge Castañeda (Utopia unarmed;1993)*

Castañeda's representation of Latin America's political scenario in the early 1990s couldn't be more accurate. The electoral defeat of the Sandinistas in 1990, followed by the collapse of the USSR in 1991 and the peace agreement of the Salvadorian insurgency (FMLN) with the government in 1992, along with Cuba's economic emergency that led to the *special period* in 1993, taken together closed what some have called the second revolutionary cycle that was opened with the Cuban Revolution's victory in 1959 (Harnecker,2001). Only one year after *Utopia Unarmed* was published in 1993, in Castaneda's native Mexico, the new wave of the Latin American *Left* was emerging with the rising of the *Zapatistas* in Chiapas. During the 1990s electoral parties in Uruguay, El Salvador, Venezuela, Brazil and Colombia all with a clear anti-neoliberal programme started to consolidate while powerful social movements, such as CONAE in Ecuador and the MST in Brazil, were challenging neoliberal reforms (Harnecker,2002). By 1997 in Ecuador, Abadala Bucaran became the first Latin American president removed from office because of the social unrest triggered by neoliberal reforms. In 2000, Yamil Mahuad was the second president removed from office through social unrest because of the dollarized Ecuadorian economy. In Argentina, three presidents were removed from the office through social protests in ten days in 2001, because of the total economic collapse. In 2003, Sanchez de Lozada was removed from the presidency in Bolivia because of neoliberal policies and, again in 2005, Mesa was removed from the office because widespread popular demand for the nationalization of national resources (IADB; 2006, in Grugel,2009).

In 1999 the first president of these new Latin American progressive governments, Hugo Chavez Frias, took office. He was followed three years later by 'Lula' Da Silva in 2002, Nestor Kircher in 2003, Tavaré Vasquez in 2004, Evo Morales in 2005, Rafael Correa in 2006, Daniel Ortega in 2006 and Fernando Lugo in 2008 (Lievesley and Ludman,2009). At the time of writing, more than two thirds of Latin America's population are governed by forces that can be considered from the Left (Castaneda and Morales,2008). With the electoral victories of these governments, anti-neoliberal forces in the region passed from being in a defensive position during the 1990s, to being in hegemonic dispute (Sader,2009).

These governments represent the hegemonic crises of neoliberalism that has been developing in Latin America through the last two decades, as these have all been elected on the promise of contesting neoliberalism, reinstating social rights and state regulations (Sader,2011). Much has changed in the continent since Castañeda's allusion to the defeat of the Latin American Left. Anti-imperialism, social justice, Latin American union and even socialism, are once again notions used in public debates. Even if these political forces are not anti-capitalist, for certain they embody an alliance of anti-neoliberal social forces (Sader, 2008).

Although not without their shortcomings, the policies implemented by these government decreased regional poverty by 12.1 percentage points and absolute poverty by 5.7 points; regional unemployment in 2011 was only 6.7 percent compared with an average of 15 percent during the 1990s and regional GDP growth has been 5 percent from 2002 and 2008, compared with the 0.4 regional growth in 1999 and -1.4 percent in 2000. (ECLA,2004,2005,2011). Since 1999, when Hugo Chavez took the office in Venezuela, Brazil's Worker Party has been elected and re-elected to government on three occasions (making 12 years in government by the end of this term) and the same has been true for the Kirchnerist coalition in Argentina. In Bolivia the *Movement Towards Socialism* had won two presidential elections, the same as for *Frente Amplio* in Uruguay (Lievesley and Ludman,2009) and if Venezuela's *Unitary Socialist Party* win the elections this year, Chavez will be president until 2016. At the end of the current terms, some of these government will have been in office longer than the iconic figures of neoliberalism in Latin America - such as Carlos Menem, Fernando E. Cardoso, Carlos Salinas or Alberto Fujimori - but unlike the extensive literature about neoliberalism in the region the corresponding literature regarding the political economy of these recent projects is noticeably smaller. Even after the socio-economic successes of these progressive governments before, during and after the 2009 global downturn (ECLA,2011) and, despite the fact that poverty and unemployment continued in decline between 2010 and 2011, the study of the specific structure of the political economy of these governments are not central to debates regarding Latin America's turn towards the 'Left' (Sader,2011;Lievesley and Ludman,2009;Castaneda and Morales,2008;Spronk,2008). But after nearly a decade of some of these governments administrating the State, the contention of this research is that it is time to engage with a thorough examination of the particular characteristics of the political economy of these progressive projects. This is important not only to explain the mechanisms that are making these projects viable but also to assess to what extent there is a post-neoliberal political economy in the making or if what we're witnessing in the region is merely a more humane form of neoliberalism.

The present contributions regarding the political economy of post-neoliberalism in Latin America are limited to examine the ruptures within the continuations of policy practices of these governments with neoliberalism (Macdonald and Ruckert,2009) Alternatively, they include discussions on the extent to which the State is becoming once more a leading agent for development in the region (Gruggel and Riggiozzi, 2009) or describing the anti-neoliberal features of these governments (Sader,2009).

Post-neoliberalism as a concept, in most of these contributions used to encapsulate the complex and occasionally contradictory anti-neoliberal transitions the region is undergoing (Brand and Sekler,2009). But these readings of post-neoliberalism as continuation within ruptures in neoliberal policies, or as an expansion of state intervention in the economy, have not offered detailed framework to assess what is really new about these socio-economic governances and have also omitted a comprehensive appraisal of the specific characteristics of the political economy of these projects. In essence, because these contributions conceptualize neoliberalism as policy practices or as degrees of state intervention, they have not focused on studying how capital accumulation and social reproduction have changed during the last decade. As a result, the specific mechanisms that are making progressive reforms feasible, the emerging economic power relations, and the international dimension of these aspects hardly appear in any detail in the literature. Yet it is these which are key for determining what has essentially changed under these governments.

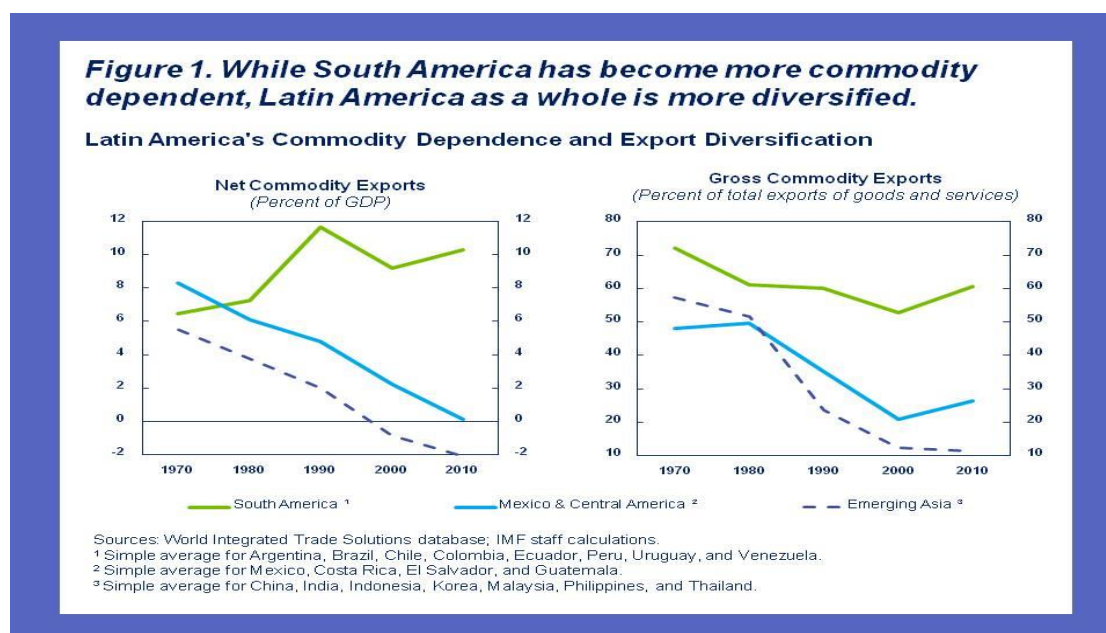
Given these limitations, in this research neoliberalism is conceptualized as an historical organization of capitalism, that implies a particular structure of capital accumulation, social reproduction and class rule (Saad-Filho,2011). It is argued that assessments about what it really new or post-neoliberal about this government should be demarcated in the analysis of how the process of capital accumulation and social reproduction had changed under the particular macro-economic governances that each of these governments had assumed. In this sense, evaluating the political economy of these governments, aims to uncover to what extent the current organization of capitalism is different from the neoliberal project. It does this by using as specific indicators the structure of macro-economic governance and changes in processes of capital accumulation and in social reproduction. Hence, the questions asked are: how is capital realized under these progressive governments differently from previous neoliberal governments? to what extent has the macro-economic governance been adjusted? Which are the leading social classes of these projects? These questions are fairly absent in current debates but are the ones that could provide an appropriate assessment of the condition of neoliberalism in Latin America and the basis for more profound understanding of the actual structures of the political economy of post-neoliberalism among these governments. A post-neoliberal political economy would imply a different organization of capitalism arising from the crisis of neoliberalism, a reconfiguration of the methods of reproduction and a different hegemonic project (Hall,1989). Assessing the political economy of these governments from a framework that focussed on 'state/market' dichotomies or policy practices, would not explain, for instance, neither how this more progressive organization of capitalism would have been economically possible nor the implications and possibilities of the long term existence of these progressive projects. By not analysing neoliberalism as the organization of capitalism, the current literature offers only superficial readings about what has changed, and these have assumed - mistakenly as will be shown through the Argentine experience - that not much has changed or at least, that it is still too early to say that these socio-economic governances can be characterized as post-neoliberal (Taylor, 2009;Rovira,2010;Rockert,2009;Chavez, 2008)

The important role commodity exports are having in making these progressive governments viable and the repercussions of this for economic development are major gaps in discussions in the current literature. This is important since, for instance in Venezuela, commodity exports which represented 80 percent of exports in 2000 amounted to 95 percent of exports by 2011. In the case of Brazil, commodity exports rose from representing 35 percent of exports in 2000, to accounting 63 percent of exports by 2011. In Ecuador the oil boom meant that commodity exports increased their share of total exports from 70 percent in 2000, to 91 percent in 2011. In Uruguay the tendency was also replicated when commodities rose from being 41 percent of exports in 2000, to account for 74 percent of exports by 2011 (IMF,2011) (UNCTAD,2012). It has been estimated that commodity dependency has increased in South America during the last decade, which is the home continent of the majority of these new progressive governments (chart-1.1).

In Latin America, Eduardo Gudynas has recently put forward the thesis of what he called an old problem under new circumstances, in reference of the commodity dependency of these new governments, labelled by him as 'progressive extractivist' (Gudynas,2011). As part of his argument, he raised the essential issue for the dissertation here which is: how far are these governments' dependencies on commodities reinforcing a subordinated integration of Latin America into global capitalism? Gudynas, in his essay, does not present any empirical research concerning the particulars of this condition, limiting his intervention only to opening the prospects for these propositions to guide future inquiries (Ibid,2011). Something particularly important about Gudynas' intervention is centred on understating how commodities are an integral part of the process of reproduction of capitalist relations under these governments and how these impact upon what he called 'old problems under new circumstances' in terms of the effects of the commodity exporting economy. Overall this approach contrasts with prevailing discussions on the subject which, superficially engaged in the analysis of capitalist relations by only making assessments in terms of policies or state interventions. The aim in the analysis here is to present more substantial elements concerning the current political economies of the region.



## South America's Commodity Dependence



1.1 Source: IMF *Regional Economic Outlook: Western Hemisphere, Shifting Winds, New Policy Challenges* (2011)

An additional important gap in the literature, and this is intertwined with the re-primarization of exports in the region, is the renewed influence that Transnational Corporations (TNCs) are having in the current context. In 1995, of the exports from the top 200 firms established in Latin America, 43 percent of them were related to natural resources. By 2004, this figure has risen to 49.5 percent (ECLA, 2005). Between 2006 and 2010, 42 percent of the Foreign Direct Investments (FDIs) in South America were natural resource related and, in 2011, FDIs in natural resource sectors accounted for 57 percent of FDIs (ECLA, 2012). The lack of analysis of capitalist social relations under these governments in the existing literature on post-neoliberalism in the region, has meant that there is a fairly absent factor in the discussion. That is, namely, the very important factor concerning the role commodity exports are having in the viability of these governments and the economic balance of power that is emerging from the expanding influence of commodity exporting TNCs. In order to contribute in the discussion related to the political economy of post-neoliberalism in Latin America, this dissertation focuses on exploring the role commodity exports are having in making the main hegemonic policies of these governments possible and the implication of this for economic development.

Using Argentina as a case study, it is argued that this post-neoliberal progressive project is embedded in an essential paradox. This hinges on the way in which a more progressive post-neoliberal organization of capitalism is entrenched in reinforcing Argentina's subordinated integration into global capitalism as a commodity provider and which, in turn, is strengthening the economic influence of TNCs in the country. The main hypothesis of the research is that the post-neoliberal political economy in Argentina, even if progressive, is reliant on commodity exports and these are strengthening a situation of economic dependency which are obstructing long term development prospects. By re-

examining the Latin American *dependency theory* tradition this study will show how a new situation of dependency (Cardoso and Falletto,1979) is arising from the post-neo-liberal governance in Argentina. This is based on the government's reliance on the commodity economy in order to make viable its progressive reforms. This study will also examine how TNCs are having a key role in Argentina's subordinated incorporation into the international capitalist economy within the present organization of capitalist accumulation.

The precise way in which commodity exports are making the Argentine progressive reforms possible will be measured by assessing the extent to which Kirchnerism's main hegemonic policies have been viable mostly because of the expansion of commodities export economy. These ideas are inspired by Gramsci's idea of hegemony and so, when referring to hegemonic policies I am considering the hegemonic tendencies in policy making that had an essential role in this government attaining 'moral and intellectual leadership' so that it became representative of the general will of national-popular energies following the 2001 crisis (Gramsci,1998). These policies are the ones that have formed the essential political program of the hegemonic alliance represented by Kirchnerism and are concerned with: industrialization, social redistribution and international sovereignty. From the empirical study of these hegemonic policies, and using Latin America's tradition of *dependency theory*, three aspects are considered: the way in which Argentina's current organization of capitalism is dependent upon developed economies; the uneven process of accumulation in which the country is internationally inserted into global capitalism and in addition the structural influence TNCs have gained. These factors are examined as the mechanisms of *dependency* generated by the 'external vulnerability' (Furtado,1970) that have resulted from the reliance on commodity exports under the post-neoliberal political economy in Argentina. These mechanisms of *dependency* in this research will be used as the variables to expound the structure of the new situation of *dependency* emerging from this progressive post-neoliberal capitalism.

Regarding the broader theoretical discussions concerning the political economy of post-neoliberalism in Latin America, the purpose of this dissertation is to offer a more detailed understanding of the structures of the political economy in these new progressive governments than that currently present in the literature on the subject. In this way, it aims to explain factors fairly considered in current contributions as well as the mechanisms that are making these progressive reforms possible; the economic power relations that are emerging under these new governments; and the implications (and contradictions) of these progressive projects' economic governances. A sub-goal of this research is to present a framework of analysis that could show what is new under these governments and to examine to what extent they can be considered post-neoliberal by a more effective analysis that is currently offered in the existing literature.

The significance of this research it lies in making an original contribution to this debate, by explaining, first, how commodity exports are an indispensable factor in the sustainability of these projects' hegemonic policies; and, second, how this reliance on the commodity exporting economy is generating a new situation of dependency that hinders long terms prospects for economic development. The argument illustrates the fact that a more progressive post-neoliberal organization of capitalism, paradoxically, is fixed within reinforcing the asymmetrical and dependent insertion of these economies into global capitalism, and that these issues are mostly absent in the literature. A second original contribution to this emerging debate, is to establish the specific linkages between the reliance upon the commodity exporting economies by the new Left and the structural power that commodity exporting TNCs are attaining in Latin America, and as a result, the role of the TNCs in the subordinated integration of the region to the international capitalist market. In these emerging economic power relations, TNCs have a critical weight in the prospects of these governments since, as holders of nearly monopolistic control over globally integrated commodities value chains, they are key stakeholders in the inflow of foreign exchange, export revenues and sustained trade surpluses. A third original contribution of this work is to provide a framework of analysis that could demarcate the question of what is new under these governments and accurately address whether the turn towards the Left in Latin America represents a post-neoliberal political economy in the making or whether neoliberalism has transmogrified into a new form. This is done by conceptualizing neoliberalism as particular historical organization of capitalism, which implies a particular structure of capital accumulation, social reproduction and class rule (Saad-Filho, 2011).

The assessment of the extent to which these existing political economies can be considered as post-neoliberal should be demarcated by an analysis of: the organization of the core process of capital accumulation; the notion of social reproduction and the macro-economic governance under these governments. Hence this approach seeks to assess if these processes are fundamentally dissimilar from the neoliberal organization of capitalism assumed in the particular country under study. In this way it could be more feasible to generate a deeper and more accurate examination of the specifics of the political economies emerging in the region, rather than relying on the dominant readings that put the emphasis on analysing policy practices or degrees of state intervention.

### *Layout of the Dissertation*

The key question that I ask in this dissertation is: to what extent are these progressive governments strengthening the asymmetrical and dependent incorporation of their countries into the global capitalist economy and what are the implications for economic development and for these projects of reasserting *dependency*? In order to answer these questions I have organized the dissertation into six chapters, including this introductory chapter, which engaged with this issue from different angles. In chapter II, entitled *The Political Economy of Post-Neoliberalism and the New Dependency*, I review the literature concerning the political economy of post-neoliberalism and the progressive governments in Latin

America and then discuss how the Latin American tradition of *Dependency Theory* could be valuable in an analysis of the new post-neoliberal situation of dependency, since could highlight the global context on which these governments are operating. In Chapter III, entitled *The Post-neoliberal Restructuring in Argentina*, I argue that a precise look at the current organization of the realization of capital in Argentina shows that the core of the process of capital accumulation and the notion of social reproduction embraced by Kirchnerism represents a post-neoliberal rupture. By going on to examine the particulars of the new post-neoliberal macro-economic governance I show how numerous recent economic achievements have been achievable because of this dissimilar macro-economy. In Chapter IV, entitled *The Paradox of Progressiveness: Commodities and the Reassertion of Dependency*, I demonstrate how commodity exports are essential for the Kirchnerist hegemonic policies of industrialization, social redistribution and international autonomy and then I delineate the emerging situation of dependency under the post-neoliberal governance drawing on the mechanisms of dependency previously mentioned. In Chapter V, entitled *The Soy Complex and Kirchnerism*, an empirical analysis is offered of the specific way in which Kirchnerism relies on soy commodity exports in order to make its main hegemonic policies viable. This examines how this exporting complex has entailed important TNCs in integrating Argentina into global markets throughout the last decades and how, because of the importance the soy economy has for the subsistence of the ‘national-popular’ program, Kirchnerism is at least tacitly supporting the development of the soy economy. This is occurring regardless of the social costs for rural and peasant communities in certain regions. In chapter VI, entitled *The Soy Complex and the Paradox of Progressiveness*, a deeper investigation of the new dependency is presented by addressing specifically how, within the soy agro-industrial value chain, the existing post-neoliberal economy is reinforcing Argentina’s dependent situation in opposition to the most dynamic centres of capitalist accumulations. It considers how these events have reinforced processes of international uneven capital accumulation between Argentina’s capitals and foreign capital and, in turn, how the structural power gained by the leading TNCs in this complex has transformed the TNCs into key stakeholders of process of external disciplinary influence for the Argentine economy.

### *Methodology*

This dissertation combines the use of primary and secondary data in order to assess the validity of the propositions that guided this research. In addition to the academic research conducted as part of my PhD, a great amount of the secondary sources I used and all my primary research, was the result of four months field work conducted between August and December 2010 in Argentina, during which I interviewed informants in the cities of Buenos Aires and Rosario, as well as in the rural town of Quimilí in Santiago del Estero province. A total 17 semi-structured interviews were conducted as part of this effort. In addition there were 14 weeks of research into news published by the daily newspaper *Página 12*; data gathering from the library of the *Ministry of the Economy*; and the acquisition of the most recent published literature on related subjects up until the end of 2010. The time framework

selected for this research was from the year 2004 to 2010, on the basis that these were the years of the consolidation of Kirchnerism, although throughout the research allusions to dates previous to 2004 and after 2010 are present. In this research the soy agro-industrial value chain was selected as the empirical case to examine Kirchnerism's commodity dependence; the structural power of TNCs over Argentina international trade; how uneven capital accumulation is specifically realized; the social impact of the soy exporting economy in rural towns; and, finally, how the dynamics within this value chain illustrate the situation of *Dependency* that is arising from the progressive project. The Global Value Chain (GVC) framework was used as a *Method* to demarcate the study of the above mentioned variables and also the selection of the population to inquire into the collection process of primary data.

The GVC framework describes the full range of activities which are required to bring a product or service from conception, through the intermediary phases of producing to its final market destination (Kaplisky,2000). The GVC approach represents a device that can illustrate with empirical precision how lead firms in the developed countries integrate producers in less developed countries into the world market through commodity chains (Selwyn, 2011). One central contention of the GVC analysis is that the internationalisation of production is becoming increasingly integrated into globalised coordination systems that can be characterised as producer-driven and buyer-driven commodity chains. In both cases this means key leading firms 'govern' various nodes of the chain in order to maximize profits (Gereffi, Humphrey and Sturgeon, 2005). Using a snowballing method (Bryman,2008) I interviewed the main business and social organizations operating along the soy value chain in Argentina.

These ranged from small and medium agricultural producers and soy by-products industrial producers, to Genetically Modify (GM) seed providers and the Argentine-Chinese Chamber of Commerce (ACCC). As it can be appreciated from table number 1.2, the business organization selection for the study was based on criteria of the role this organization had in each node of the chain consisting of: 1) soybeans production; 2) internal commerce of soybeans; 3) industrial producers and exporters; 4) corporate governance; 5) final markets; 6) seed providers; and 7) peasant communities in producing regions. The principal criteria for the selection of these corporate organizations as informants was because in the particular case of Argentina, since Peron's project to 'organize community' in the post-war period (Peron,2007), business organizations (as well as labour organizations) have developed over the years a clear corporate identity with the will to be an active political corporate agent in national politics (Ross,2004). This, to a great extent makes these associations the political organizations of the capitals within the value chain and therefore excellent informants to inquire about: which are the most powerful corporate agents in the chain (to examine the influence of TNCs); how the profits are distributed along the chain (to understand uneven accumulation); the relations of the soy sector with the government (to interrogate Kirchnerism dependency and participation with the soy economy); and the unbalanced incorporation of the national economy into global markets and the social impacts of the soy industry upon rural communities.

In this research I applied a mixed method approach (Brannen, 2005) combining qualitative research methods, literature review, archive research and secondary analysis of large data sets. As part of my field work I conducted 27 semi-structured interviews. The semi-structured interviews had two main aims. First, they sought to provide a proper contextualization of the project (Ibid, 2005) by deepening my understanding of how the internal dynamics of the soy complex business operates according to various corporate actors in the value chain. Second, they sought to develop a better understanding of the data gathered from statistical data-bases, academic sources or archives (Ibid, 2005). In this sense, the semi-structured interviews functioned as complementary sources that, taken together with the other data, generated insights which, could help to create a bigger picture of the inner dynamics of the soy complex business in Argentina. Although there is no consensus about the number of interviews required for mixed method research in order for them to be considered valid and reliable (Baker and Eduard, 2005), Alder and Alder advise that a sample between 12 and 60, with 30 being the mean, is acceptable (Alder and Alder in Baker and Eduard, 2005). In this research, I conducted a total 27 semi-structured interviews which included representatives from the business sectors involved in the soy complex in addition to people from peasant communities in soy producing regions. Although the number of interviews may be considered small, the selection of representatives from the businesses involved in the soy chain in Argentina were made on the basis that these people would be key informants because of their position, activities or responsibilities, and that they would have a good understanding of the inner dynamics of the soy business in the country. This implies that a relatively small number of interviews could be sufficient to gain knowledge about the industry from the informants' privileged position in the business (Laforest in Baker and Eduard, 2005).

In conducting the interviews my positionality as a foreign PhD student, originating from Puerto Rico and enrolled in a British university, had an influence upon the research process. Being an 'outsider' and a national from Puerto Rico (an American colony) provided me with the opportunity to establish a more open communication with the informants who had a relation with the private sector. This was because, as I learned throughout the process, their assumption was that as a person coming from an American territory I would be more sympathetic to their market-oriented view and position. This placed me to some degree in a position of 'equality' with my private sector informants

Because I was enrolled in a British university, I also enjoyed an image of 'neutrality' which, I realized during the research process, would not be the case for a national researcher since the assumption would be that they would be from the outset either 'in favour' or 'against' the sector. On the other hand, while interviewing members of MOCASE in Quimilí, this same self-image initially made the process more difficult. But after I had shared with them, in an informal setting, my past involvement over many years in anti-colonial activism, they started to share more information with me.

In effect, I occupied multiple positions as a researcher and this meant that issues related to research ethics had to be negotiated, in practice, on a continual basis in order to avoid any form of self-misrepresentation or deceit (Sultana, 2007).

## 1.2 Business Organizations interviewed within the Soy Value Chain

| <b>Soybeans Producers</b> |  | <b>Soybeans Internal commerce</b> |  | <b>Industrial sector and international trade actors</b> |  |
|---------------------------|--|-----------------------------------|--|---|--|
| <b>SRA</b>                | Association that gathers large agricultural producers            | <b>BCR</b>                        | Cereal Stock Exchange of Rosario                                     | <b>CIARA</b>  | Association that gathers eatable-oils and by-product producers |
| <b>FAA</b>                | Association that gathers small and medium agricultural producers | <b>BCBA</b>                       | Cereal Stock Exchange of Buenos Aires                                | <b>CEC</b>  | Association that gathers grain exporters                       |
| <b>ACSOJA</b>             | Association that gathers soybeans producers                      | <b>SGA</b>                        | Association that gather grain storage and related business companies | <b>CAB</b>  | Association that gathers soy bio-diesel producers              |
| <b>CONINAGRO</b>          | Association of agrarian producers and exporting cooperatives     | <b>JJ</b>                         | Cereal Stock Broker (private firm)                                   | <b>CONINAGRO</b>  | Association of agrarian producers and exporting cooperatives   |

| <b>Corporate Governance</b> |   | <b>Final Markets</b> |   | <b>Seeds Providers</b> |   | <b>Peasant communities</b> |  |
|-----------------------------|---|----------------------|---|------------------------|---|----------------------------|--|
| <b>Apresid</b>              | Association that promotes direct tillage harvesting | <b>CCCA</b>          | Coordinate commercial relations between Argentina and China | <b>ArPov</b>           | Association that gathers biotechnology companies and seed producers | <b>MOCASE</b>              | The most important peasant organization in the country |

See list of abbreviations list for the full names of the Associations

In recent years there has been a systematic questioning, mainly by the IMF, about the reliability of INDEC's figures and, since INDEC's sources play an important part in my analysis, a few points of clarification are needed in order to reinforce the reliability of my research. First, the dispute about INDEC's figures has been centred on the institution's inflation figures and has not questioned all of INDEC'S estimations.

It has been stated in all of the IMF's press releases about Argentina since November 2010 (March 24, 2011; April 11, 2011; July 13, 2011, September 18, 2012; February 1, 2013) that the centre of the dispute has been about the creation of a Consumer Price Index (CPI) in line with the IMF's methodology rather than to any general doubts with regard to all the data sets emanating from this institution. Inflation figures do not play a part in my analysis and the data related to the agricultural sector, national accounts or international trade have not being disputed either by the private sector, the IMF, the World Bank or, indeed, any opposition political parties. Secondly, it is important to highlight

the political dimension of this dispute. In November 2010, Argentina's government requested technical assistance from the IMF for the creation of a new CPI after a bitter dispute with the Fund in relation to the negotiations of Argentina's outstanding debt with the Paris Club (Navarro, 2010b). It was during this process, in which Argentina made it explicit that it was not willing to accept any IMF revision as part of the payment negotiations, that the sub-director of the Fund publicly stated that Argentina should be penalized (Ibid, 2010). In April 2011, the IMF's technical mission visited Argentina and left the INDEC authorities specific recommendations for a new CPI (March 24, 2011). It was after the non-compliance of INDEC with these specific recommendations that the IMF formally began to question the accuracy of Argentina's figures on inflation and GDP (IMF's press releases: July 13, 2011, September 18, 2012 February 1, until the declaration of censure against Argentina in 2013 (press release: February 1, 2013).

Without denying or supporting the IMF's allegations, the fact that the centre of the debate is the CPI, and inflation has been historically the main justification for the IMF's austerity programme in Argentina, it is not really possible to deny the politically biased position of both parties to this dispute. This does, to a large extent, weaken the reliability of IMF's allegations (as well as INDEC's figures on inflation) since, in practice, both parties are defending a certain economic model. Nonetheless, if we consider that the inflation figures are at the centre of the dispute, and since inflation figures play no particular role in my research, I considered that INDEC's figures relating to other matters are as reliable - or problematic - as the datasets of the IMF, the World Bank, OECD or USDA and, therefore, also as reliable as any other international dataset.

For over a decade the soy complex has been the most important exporting complex in the country, (Vilella, 2010). In 2010, it was responsible for over one quarter of Argentina's national exports and it has been regarded as the engine of Argentina's exporting boom over recent years (Ibid, 2010). This makes the soy complex the best case study to examine the particulars of how Argentina's post-neoliberal project depends on the commodity exporting economy; how the country has been asymmetrically integrated to global capitalist economy through this value chain; how uneven accumulation is actually structured in practice in a commodity exporting chain; and how the present commodity dependence reinforces economic dependency by fuelling industrial growth in Europe and China while a left leaning re-primarization of the economy is taking place in the global South.



### *Argentinean Kirchnerism as a case study*

There are key elements that make Argentina an interesting case study to test our hypothesis. First, Argentina cannot be considered a 'Rentier Economy', or a 'Rentier State' (Belawi, 1987) as could be the case with Venezuela, Ecuador and Bolivia where commodity related activities are at the core of the economy and state funding. Second, industrialization and economic development is at the very centre of the programme of the progressiveness embodied by Kirchnerism. Third, Kirchnerism represents a middle position among comparable economies in South America. It is neither arguing for 21st century *Socialism* as in Venezuela but nor is it neoliberalism with a new social programme as some have categorized Lula's Brazil (Sanchez, Machado and Marques, 2008). This rather more balanced economic structure and political programme, along with the centrality that development had in the Argentina progressive programme, makes Kirchnerism a good case study to assess three aspects: the role that commodities are having in making progressiveness possible in Latin America, the condition of neoliberalism under these progressive governances and the long term implications for development of the current economic arrangements. In addition to the fact that Argentina after being an model of market oriented reforms for the IMF, in late 2001 neoliberalism had a drastic downfall. In December 2001 the Argentine crisis was a subject on the front pages of most Latin American and world newspapers. A country that was considered by the IMF and U.S as a model of market oriented reforms defaulted on payments of 148 billion dollars of external obligations in the midst of an institutional collapse probably not seen on the continent since the victory of the Sandinistas in 1979. On the 20<sup>th</sup> of December 2001, President Fernando De la Rúa resigned to the executive under pressure from a social uprising that essentially broke down institutional rule. From the 20<sup>th</sup> of December to the 2<sup>th</sup> of January Argentina had three presidents; being two of them removed from office through social unrest.

The slogan '*Que se vayan todos*' became the emblematic claim of the Argentine people through the 2001-2002 crisis, which for many was for neoliberalism in Latin America what the fall of the Berlin Wall was for Stalinism (Boron, 2007). It has been estimated that between December 2001 and July 2002, around 30 million Argentinean from a population of 38 million were involved in some kind of social protest (Petras, 2005). From being the 'poster child' of the IMF, Argentina became a laboratory of social movements and participatory politics. Over 150 factories were occupied by 15,000 workers, demanding collective property, high productivity and equal salaries (Martinez, 2003). By March 2002 it was estimated that 300 popular assemblies were meeting on a weekly bases throughout the country in forums of public discussion and participatory democracy (Triguboff, 2011). In May 2003, amid in the continuing circumstances of economic depression, Nestor Kirchner became the president of the Republic with only 22.2 percent of the popular vote, less than half of the 47.8 percent of the population living below the poverty line at that moment. The electoral results from 2011, showed that Cristina Fernandez de Kirchner won 54 percent of the popular vote while the second electoral force was 37

percentage points behind the Kirchnerist alliance, *Frente para la Victoria* (Ministerio del Interior;2012). This gave to Kirchnerism its third term at the executive and the administration of the Argentinean state with a mandate until 2015.

Nestor Kirchner since inception presented the project as a variety of '*progressivism from above*' that gained its leftist credentials by making Human Rights an executive public policy (an historical claim of the *Left*) situating the political project as part of the emerging progressive Latinamericanism in the region (Svampa,2011). He also took a strong stand against the IMF, which he described on occasions as the enemy of Argentineans (Malamud, 2011). Alongside this Nestor Kirchner revived the 1970s rhetoric of the national-popular tendencies of the *Peronist Youth* (to which he belonged as a student in *La Plata*) which consisted of a re-distributive state that would intervene where the markets don't work well (Kohen,2010), revitalize the traditional features of the national-popular tradition as the centrality of the state and the leader, and encourage militancy at social, political, cultural and trade-unionist level (Svampa,2011). This, meant Kirchnerism was considered as a centre-left government, even by Argentinean intellectuals who identified with the Fourth International and historically antagonistic to anything that resembled Peronism( Katz, 2006). At a rhetoric level the project was rooted in a confrontational understanding of politics which, on the one hand, saw concentrated powers as the monopolies, the large economic interest, the oligarchy and military repressors and, on the other, saw the 'popular interests' represented by the Kirchnerist alliance (Svampa, 2011).

However, what really granted Kirchnerism tangible popular support has been its successful economic policies (Ibid;2011). Even before its election as president of the Republic Nestor Kirchner made it clear and public that if he won the election he was planning to be President and Minister of the Economy (Di Tella and Kirchner,2002). The economic dimension of the Kirchnerist project was fundamental to it as Nestor himself publicly expressed before being elected as president:

'The essential issue is to centre policies on production and jobs creation. In the search for combining (industrial) production, employment and imports substitution, benefiting from technological progress, to deepen traditional exports and consolidate the ones who are not.....it is important to develop capital goods industries, because of their impact on the productivity of the industrial sector and its projections as source of exports....In the agricultural commodities sector, we should encourage to add as much of the value added that technology allows. This means to encourage the creation of a strong chemical industry, not only based on cereals, but as well on the use of residues of corn, wheat and other products that can be used and that our country cannot waste.'

'Yes, an industrial policy is definitely necessary, a model based on production and employment. I'm a believer in active policies for production'. During the 1990s the trickle-down theory- the only thing that theory trickled down was misery. It's true that the market can organize economically, but it cannot articulate socially... I believe in the creation of a national project...what I'm saying is that we should rebuild national capitalism in Argentina and generate an alternative that allows again social mobility.

'Look at the very high levels indebtedness, unemployment, sub-employment and poverty that affect the national economy (2002). It is imperative to encourage an aggressive industrial policy because it's the most dynamic activity for generating real wealth, increase productivity, improved fiscal incomes and create jobs in an accelerated manner. The re-industrialization is essential (Di Tella and Kirchner; 2002) .

The political pledge of the Kirchnerist economic project was, arguably, embraced in its totality, equally by Kirchner and Cristina Fernandez. The economic model based on re-industrialization - a national project and re-distribution that Kirchner promoted during his electoral campaign - once in government proved to be more sympathetic to common people than the one of the 1990s. At the moment that Nestor Kirchner left office, poverty levels had declined by 32 percentage points, unemployment by 9 percentage points, real wages had increased by 17 percent (charts, 3.15,3.14,3.11) and industrial labour as a share of the work force, from being 7 percent in 2001, had increased to 34 percent by 2007(Svampa,2011).

The election of Cristina Fernandez to the executive, meant if anything, a deepening of the project (ibid,2011). This was by not only continuing and expanding most of the economic programme's hegemonic policies, but also by reinforcing the confrontational political approach of Kirchnerism: nationalizing pension funds in 2009; approving same sex marriages; approving the media law which aimed to end the monopoly of some media conglomerates; and the approval of the glacial protection law in 2010. In 2009, Cristina initiated the *Asignación Universal Por Hijo* a program of cash transfers that was universal in scope which, by 2010, reached nearly 25 percent of the population. This same year, unemployment rate was 6.8 percent; the people below the poverty line declined to 9 percent and GDP growth stood at 9.5 percent (CENDA,2010). And its recent strong advocacy at the United Nations for Argentina to recover the sovereignty of the Falklands, the re-nationalization of YPF (the national oil and mining company that was owned by the Spanish conglomerate Repsol until this year, plus record highs in the main industrial sectors in recent years (ibid,2010) unmistakably reveal how the 'national project' proposed by Nestor Kirchner since 2002, did not stop with his death in late 2010.

### *The political Economy of Kirchnerism and the Soy economy*

The Kirchnerist political economy has been mostly characterised as *neo-developmental*, due to its endeavour of advancing national development in the context of a globalized economy (Gerchunoff and Aguirre, 2004;Grugel, 2006;Bresser-Pereira, 2007;Katz,2008). In early reflections on this subject, Gerchunoff and Aguirre argued that beyond Kirchnerist leftist rhetoric, in practice the new economic governance was aiming to support 'development' and sustaining an open economy. Grugel, on the other hand, indeed engaged with the question of the post-neoliberal character of the model, but argued that it is the 'Return of the State' that makes *neo-developmental* post-neoliberal, even if, in a very cautious way, the author recognized that it was still too early to classify *neo-developmental* as something that could be considered as post-neoliberal and identified the imprecision of the new model (Grugel,2006) In Godio's work, although still too descriptive, a clearer examination of the features of the *neo-developmental* model were presented. Arguing that the priorities of Kirchnerism were: '*exports and import substitution, with high exchange rate remaining important, the domestic market must be boosted in order to serve as driving force of the economy, encouraged by investment in the public sector*'(Godio,2004). In Katz,in the other hand, a more thoughtful class analysis of the *neo-*

*developmentalist* model can be found. In this work he argues that what *neo-developmentalism* reveals is the Argentine 'national bourgeoisie' attempt to rebuild its economic power (Katz,2006). Even if his work offers a more detailed analysis of capital accumulation under Kirchnerism, it does focus on exploring the limits of the model, rather than on expounding how capitalist accumulation and reproduction has varied in contrast with neoliberalism (Ibid, 2006). For Riggiozzi, even if *neo-developmentalism* as a concept is replaced by '*open economy nationalism*' - her analysis does not go further than emphasizing how Kirchnerism's nationalism and state led development are evolving in an economy that is fully integrated to global markets. (Riggiozzi,2009).

In relation to the soy economy, excellent works have been produced about how it has transformed the Argentina agrarian economy (Teubal, 2008) (Teubal,2005) but not so much has been written about Kirchnerism's reliance on the soy sector or the power of TNCs within this value chain (Perez,2007) In other hand, neo-classic economists have argued that the economic success of the new model is basically rooted in favourable international commodity prices and are not due to public policies. This is an approach to support the arguments for ending state intervention and fully embracing free trade and comparative advantages (Izquierdo,2007) still, beyond addressing Ricardian notions of competitive advantages, these contributions do not show specifically how commodities are making viable the government's policies. The researchers at Centro de Estudios para el Desarrollo Argentino (CENDA) in the other hand, have conducted a more detailed study in reference to the importance of export taxes upon the redistributive budget, but did not establish any links with the current macro-economic model, or any particular analysis of soy products exports in this process (CENDA,20010) Recently Svampa has coined the notion that Argentina has passed from the '*Washington Consensus*' to the '*Commodity Consensus*', but she didn't present any empirical research to support this idea (Svampa, 2011).

At an empirical level the examination of Argentina and the soy complex case means the research can make a contribution to showing how, even if Kirchnerism can be considered a progressive post-neoliberal project, the soy complex is reinforcing Argentina's dependent integration to global capitalism through these exports, in particular, and commodities in general. This may, in turn, hinder the long terms prospects of economic development and industrialization. In particular terms, the thesis exposes the specific way in which commodities and soy exports have contributed to the Kirchnerism hegemonic policies of industrialization, redistribution and international autonomy and that progressiveness in this country is encouraging the influence of the TNCs that have of the soy complex. In terms of the relations inside the soy complex in Argentina, the research can help study the correlation of power within this chain among transnational agribusiness, national capitals and the government. This can make an empirical contribution, since the details of the Argentine soy complex value chain are hardly explored elsewhere in other literature which, in most cases only provides a descriptive analysis of the soy value chain (Vilella, 2010; INTA,2009;Lopez and Ramos,2008).

## *Chapter 2:*

### *The Political Economy of Post-Neoliberalism and the New Dependency*

#### *Introduction:*

Why is it important to study the political economy of Latin America's progressive government? It has already been a decade since this wave of new Latin American Left governments came into office, with most of them re-elected for a second and even third terms on the promise of continuing with their anti-neoliberal programme. The result of these governments' policies, has been that Latin America at the moment is growing at rates not seen on the continent since ISI, meanwhile poverty has declined by 11 percentage points, GDP/debt ratio by 15 points and from enduring deficits, the regional primary fiscal balance average a 0.4 surplus in 2008. (Barcena and Gurria, 2012). But the specific structure of these political economies, the mechanisms that are making these progressive reforms viable and the economic power relations that are emerging have not been looked at in detail in the literature regarding the political economy of these governments. The analysis of the political economy of these governments, has so far been mainly framed within an examination of the 'continuation within rupture' of these governments' policy practices in relation to neoliberalism (Macdonald and Ruckert, 2009) and the extent to which, first, the state has again become a leading player for development in the region (Gruggel and Riggirozzi, 2009) and, second, the identification of the anti-neoliberal tenets of these governments (Sader, 2009). In these debates the concept of post-neoliberalism has been used to encapsulate the complex and sometimes contradictory anti-neoliberal transitions undergoing in the region (Brand and Sekler, 2009). But an essential element that is frequently missing from these present readings of the post-neoliberal economies is an analysis from a perspective that analyses post-neoliberalism as a transition towards a different organization of capital accumulation. The existing contributions, by not engaging in the study of how the organization of capital accumulation has particularly changed under these governments, haven't provided a fully appropriate demarcation of the assessment concerning what is new within these political economies.

This lack of study of the particular structures of capital accumulation under post-neoliberal capitalism has established the parameters of debate. This has meant that contributions which - by focusing in policy practices, state intervention or the identification of anti-neoliberal measures - it have not been able to put forward a detailed reading of the particular instruments that are making these progressive policies feasible, the economic forces behind these post-neoliberal articulation of accumulation or the international economic dimension of these post-neoliberal projects. In this last respect, it is important to notice the fact that commodity exports are having a privileged role within this project in relation to global trade. This raises questions concerning: what is the specific role that the commodity exporting economies could be having in making viable these progressive projects and what are the implications of this new situation of dependency? These are subjects hardly discussed in the literature and as our

hypothesis is that the post-neoliberal political economies of these progressive projects are reinforcing economic dependency, the analysis of this research will be framed within the Latin American tradition of *dependency theory*. This is particularly important because this paradigm has provided an extensive contribution regarding the problem in question and provides the theoretical tools to place in a global context the policies of these new governments. Therefore, it's argued that the Latin American tradition of *dependency theory* is a valuable paradigm to understand in detail, the situation of dependency emerging from these post-neoliberal organizations of capitalism and its long term implications.

The first section reviews selected literature concerning the political economy of post-neoliberalism and the new progressive governments in Latin America. In the second section the gaps and limitations that the research later aims to fill are discussed, followed by a discussion regarding the condition of *dependency theory* in the epoch of neoliberal globalization. The last section offers a review of the concepts and ideas of the Latin American tradition of *dependency* that will be used to analyse the essential paradox upon which these post-neoliberal governances are embedded. This consists of the fact that a more progressive organization of capitalist relations is embedded in a situation of dependency, which is reinforcing the region's asymmetrical insertion into global markets as a commodity provider.

### *Post-Neoliberalism and the New Latin American Left*

In Latin America, neoliberalism is associated with the IMF's Structural Adjustments Programs which have entailed: spending cuts, market deregulation, privatizations, liberalization, shrinking social rights and the roll back of the state as a regulator of market relations. But after decades of neoliberal governments, at the moment, half of the countries and two thirds of the continent's population are governed by political forces that can be considered to be from the Left (Cataneda and Morales,2008). These governments to various extents, were elected as a reaction to orthodox neoliberal governments and on the strength of their promise to reinstate social rights, reduce market power and to restore the role of the state as a disciplinary force upon capitalist relations (Sader,2009). Thus, following two decades of anti-neoliberal social struggles, Latin America's progressive forces have gone from a defensive phase - when the neoliberal hegemony was unquestionable - to hegemonic dispute (Idid,2009). However, the specifics of what its essentially new or different from neoliberalism under these new governments is still under academic scrutiny. In Macdonald and Ruckert post-neoliberalism is defined as: '*Post-neoliberalism era is characterized mainly by the search for progressive policy alternatives arising out of the many contradictions of neoliberalism*' (Macdonald and Ruckert,2009). The contributions close to this conceptualization, frame the study of Post-neoliberalism in analysing the discontinuities within continuities of policies practices of these progressive governments in relation to neoliberalism (ibid,2009).

Marcus Taylor's contribution to *Post-neoliberalism in the Americas*, for instance, argues that the innovations associated with policy making in Latin America - such as a more active role of the state and new models of social policy - do not mark a rupture with neoliberalism but instead its consolidation (Taylor,2009). Mezler, on the other hand, with regards to Venezuela's Bolivarian Revolution, argues that policy practices in Venezuela should be considered as post-neoliberal even if its oil exports and FDI still have an essential weight in the economy, given that private capitals have been subordinated to the national interest and the renewal of public provision of social services (Mezler,2009). In Paul A. Haslam's work concerning FDI policy in Argentina and Chile under the progressive governments, the conclusion argues that there is nothing essentially new happening under these governments in these respects, since in both cases the legal framework that regulates FDI during neoliberalism is still in place (Haslam,2009). In Rockert's chapter regarding the reality of an existing post-neoliberal development world order, the conclusion argues that, in the same fashion as many of the previous contributions, even if there have been modifications, these are framed in varieties of 'inclusive neoliberalism' (Rockert,2009). In Chavez, the analysis of the discontinuities within the continuities of the *Frente Amplio's* policies in Uruguay, suggest that his contributions do not go beyond stressing the macro-economic pragmatism that the centre-left coalition have assumed once in government and that its new social policy offers a blurry reading of what is new (Chavez, 2008). Regarding the Brazilian case, the continuation with neoliberalism is centred on the macro-economic policy and the rupture with social and foreign policy for Sanchez, Machado and Marquez. (Sanchez,Machado and Marques,2008). In the policy analysis field (even if from a different perspective) Sader's suggestion of understanding post-neoliberalism from a view which considers the implementation of policies that counter: deregulation, financialization, free trade and the weakening of labour relations. Even if this is understood as an academic approach more orientated to reshaping neoliberal capitalism, it is only a descriptive category that does not provide a clear method of assessing what is new in the current progressive political economies (Sader,2009 and 2011). An essential weakness of these approaches is that they present an understanding of neo-liberalism mostly limited to policies practices, instead of understanding it as an historically particular organization of capitalism (Saad-Fihlo,201)

Another set of contributions placed the emphasis on analysing the relation between 'state and markets' in these new political economies in the region (Grugel and Riggirozzi, 2007,2009). In *Governance after Neoliberalism in Latin America*, Grugel and Riggirozzi argued that: '*at the centre of the development debate in Latin America is the question of the role and the weight of the state versus the market*' (Ibid,2009). Foxly described the new political economies as a clear demand for more 'state' and less 'market' after the discontents caused by market-led development strategies (Foxly,2010). Alcantara in a similar way, argued that the essential axis to describe Latin America's new left with precision is the market and state dichotomy (Alcantara,2008).

Bresser-Pereira takes the argument further and presents the recent changes in state and market relations as a new development strategy. On his reading, the new *Neo-Developmentalism* is not only post-neoliberal but also offers a development strategy in which the state has an interventionist role in relation to industrial and investments policies, encouraging economic growth with internal savings and putting in place capital controls whilst guaranteeing a primary surplus and the financial stability of the public treasury (Bresser-Pereira, 2007). Although fairly critical of over-generalizations regarding the so-called 'return of the state' in the region, Tussie and Heidrich argued that there is certainly a search for a new balance between states and markets taking place in Latin America, but that post-neoliberalism rather than being a coherent strategy, incorporates a collection of partially contradictory trade and economic policies (Heidrich and Tussie, 2009). In Kauffman, on the other hand, statism and economic nationalism are the main characteristics of the progressive governments that moved towards the left such as in Venezuela, Ecuador and Bolivia. In those settings what is advocated is a traditional form of state control, in contrast with the more social democratic left governments that moved towards the centre as is the case in Brazil, Chile and Uruguay, which are combining redistribution with market oriented policies (Kauffman, 2007). In a recent contribution Grugel and Riggirozzi, embraced a more comprehensive account from the previous position that identified post-neoliberalism as the 'return of the state' (Grugel, 2006) or as part of a swing back and forth relation between state and markets (Grugel and Riggirozzi, 2009). In their latest contribution, post-neoliberalism has been described by the authors as:

'...the set of political aspirations centred on 'reclaiming' the authority of the state to oversee the construction of a new social consensus and approach to welfare, and the body of economic policies that seeks to enhance or 'rebuild' the capacity of the state to manage the market and the export economy in ways that not only ensure but are also responsive to social needs and citizenship demands' (Grugel and Riggirozzi, 2012)

Even if in Grugel and Riggirozzi's latest contribution, post-neoliberalism has been extended to study social reproduction (*welfare*), political hegemony (*new social consensus*), and the type of capitalism (*state to manage the market*), nevertheless, state intervention is still the axiom of their concept of post-neoliberalism and it appears that these projects still seem as historical process without socio-historical agents. The reappearance of state led development in Latin America is one of the most distinctive features of these post-neoliberal projects of the new Latin America Left (Coronil, 2007). However to restrict the study of the post-neoliberal turn in the region is to an examination of degrees of state intervention it is still embedded in the premise that neoliberalism was really about non-state intervention and the free operation of markets. This is not only a mistaken premise (Saad, 2011; McNealy, 2002) but it also excludes from the analysis the role of the state under the current political economies as well as the class dynamics and struggles that are in practice shaping the recent articulation of capitalism that is emerging from this anti-neoliberal turn. In these un-historical perceptions of post-neoliberalism the questions about what is the objective of the particular kind of



state-led development that is emerging, and the agents behind it, are mostly obscured by analysing instead the authority of the state as a regulator of the market (Grugel and Riggirozzi, 2012).

A significant gap in the literature is the analysis of the international dimensions of these new political economies and the weight that commodity exports are having on financing these post-neoliberal socio-economic governances. Even if international commodity prices are often mentioned as a factor that allows these governments to raise social provision and it is cited as a potential Achilles heel (Tussie,2009;Barrett, Chavez and Rodriguez-Gravito,2008) with the exception of Lander's study on Venezuela the role commodity resources are having on financing these governments is unstudied (Lander,2008). The literature on the topic of 'neo-extractivism', had coined the notion of 'progressive neo-extractivism' to describe the commodity resource dependence of these progressive governments (Gudynas,2011). In a recent contribution Eduardo Gudynas argued that commodity extractivism is at the core of these progressive governments' development strategies and that this model has reinforced a subordinated integration of Latin America into global markets (Ibid,2011). But in this contribution the issues are raised without including any empirical research, case study analysis, or attempt to show concrete linkages between the commodity economy and these post-neoliberal political economies (Ibid,2011). On the other hand, the international restraints these governments could face is another subject frequently mentioned (Panizza,2009) (Barrett, Chavez and Rodruguez,2008) albeit understudied. In Pannizza, for instance, the constraints of the WTO agreements are mentioned such as, anti-discrimination rules that limit the scope of alternative trade and industrial policies, financial markets and capitals and commodity prices volatility (Panizza,2009). But in his account he did not show how explicitly these factors represent mechanisms of correction for these governments which, in the current context, seems essential, as some of these coercive mechanisms have been already at least partially bypassed by some of these governments (Bresser-Pereira, 2007). In contributions studying the international relations of these governments, the latest continentalism in its diverse guises, has had a privileged position (Muhr,2010)(Sanahuja,2012) and on the other hand the declining U.S hegemony upon Latin America, also occupies an important place in the works related to the international dimension of these post-neoliberal shifts (Rosen and Hershberger,2006).

The strongest contributions in the literature on post-neoliberalism and the new Latin American progressive governments are those that, even if from contesting perspectives, presents good accounts of the policy experiments taking place under these new progressive governments (Roberts,2007;Levensy and Ludmand,2008;Castaneda and Morales,2008). From these accounts, it appears that what the new Latin American Left has in common is: its opposition to orthodox neoliberalism, fairly vigorous social programs, a defence of national sovereignty and Latin American continentalism, and diverse versions of state-led development (Filmus,2010)

Commonalities, for example, in social programmes targeting poverty can be found between various countries such as: *Bolsa Escola /Bolsa Familia* in Brazil (Sanchez,Machado and Marques,2008); *Panes* in Uruguay (Chavez,2008); the range of social *Misiones* initiated in Venezuela (Lander,2008); *Bonos Juanito Pinto* in Bolivia (Tapia,2008); and *Asignación Universal por Hijo* in Argentina. Defence of sovereignty in Bolivia, Ecuador and Argentina have been translated into nationalizations (Tapia,2008; Chavez,2007), in Venezuela into an anti-imperialist rhetoric (Lander,2008), and in Brazil into an opposition against the IMF's leverage in economic policy. Variations of state-led capitalism can be found across the continent ranging from splits away from *Neo-Developmentalism* in Brazil and Argentina to the *Andean Capitalism* of Bolivia or to the *Twenty first Century Socialism* in Venezuela. Other developments include the continental support for Union de Naciones de America del Sur (UNASUR) as an organization completely autonomous from the United States foreign policy and the incorporation of historical political leaders such as: Simon Bolivar, San Martin or Artigas, as part of the libertarian rhetoric of these governments. These all demonstrate a will for a Latino-Americanised emancipatory rhetoric and for strengthening Latin American union (Dominguez,2009).

### *Limitations and Gaps*

The crisis of neoliberalism in Latin America has generated various readings about the extent to which neoliberalism has been surpassed (Macdonald and Ruckert,2009)(Grugel and Riggirozzi,2009) (Brand and Sekler,2009). However, these readings suffer from major limitations that are rooted in the way they conceptualized and understand neoliberalism.

This gives rise to an understanding of neoliberalism as a set of policies or as more or less state intervention, instead of analysing neoliberalism as particular historical organization of capitalism (Saad-Filho,2005). Even if in Brand and Sekler a further deeper reading is assumed, it is not based on an assessment of the transition towards post-neoliberalism as part of the variations in the organization of capitalism taking place in the region. To conceptualize neoliberalism from a view that sees it as an organization of capitalist relations, will provides a better framework to assess what is new or to what degree the current progressive projects are dissimilar from neoliberal governance. The current contributions to the debate, by leaving aside the study of capital accumulation, fail to offer a comprehensive analysis of the instruments that are making these reforms viable, the economic forces behind this recent re-organization of capital accumulation, and the international aspects of these projects. As an alternative, instead of trying to identify ruptures with neoliberalism on the basis of policies it may be more helpful to identify: to what extent the process of realization of capital has changed, the modifications in macro-economic governances, and the concept of social reproduction. I have argued that taking this approach will help to expound what is really new about these post-neoliberal political economies and provide a comprehensive understanding of the structure of capitalism under these new governments which is currently absent in the literature. From 2002 to 2008, these governments took 41.5 million people out of poverty and the region's GDP grew by 5 percent in

total over this period (Barcena and Gurria,2012) but the existing literature on the subject does not offer any insight into which have been the specific mechanisms that had made these achievements possible.

Neoliberalism can be defined as a material form of social rule and reproduction that incorporates a structure of capital accumulation, trade, state governance and that characterizes the configuration of capitalism or the system of accumulation in certain period (Saad-Filho,2011). Neo-liberalism emerged in Latin America as a response to the structural problem of capitalist reproduction that followed the crisis of ISI and Developmentalism. In the same way, post-neoliberalism should denote a different system of accumulation arising from the crisis of neoliberalism. The crisis of neoliberal capitalism will imply an organizing effort from certain social forces to re-configure the scope and methods of social reproduction; capital accumulation; social rule, trade and the state, with the aim of establishing a new socio-economic project (Hall,1988). This cannot be measured by an analysis reduced to policies or degrees of state intervention, but by inquiring about to what extent post-neoliberalism represents a different configuration of capitalism and system of accumulation from the neoliberal one. It is in this way that it will be possible to provide a broad understanding of the political economy of post-neoliberalism in a way that could delineate the particulars about the mechanisms that make it possible, the social forces behind it and its international economic dimension.

Another limitation of the existing literature on the political economy of post-neoliberalism is the use of the degree of state intervention as tool to demarcate post-neoliberalism. This is because, as was mentioned earlier, this approach is embedded in the mistaken premise that there was not state intervention during neoliberalism, when that fact is that state intervention was a focal point in assuring a neoliberal structure of accumulation. In the same way, when it comes to evaluating state intervention under post-neoliberalism, the state should be a focus for understanding how this kind of intervention is encouraging a different structure and processes of capital accumulation. State-led development from this perspective would not only be about the so called return of the state, but about the will of certain sectors to rebuild national capitalism or at least national productive forces. This perspective incorporates into the analysis a factor missing in these readings, namely, what are the social agents behind this renewed role of the state in development under these governments. In most cases the institutionalist approach to political economy assumed by these contributions ignores the class dimensions of these *neo-listian* policies (Selwyn,2009) which are an essential factor to fully understand the political coherence as well as the very limits and contradictions of these projects. In addition this approach offers a delineation of the process of change in the organization of capitalism under post-neoliberalism, through a process of class conflicts and the realignment of leading economic sectors. The comeback of the state as a governing force upon markets, more than the essence of post-neoliberalism itself, is a reflection of changes in the historical organization of capital accumulation. Furthermore these changes in capital accumulation will benefit a new leading class alliance that is emerging from the post-neoliberal project and the crisis of neoliberal capitalism in the region.

The international economic dimension and the weight that commodity exports are having on financing these post-neoliberal socio-economic governances are important gaps in the current literature. This is why this research focuses on exploring the role that commodity exports are having in making these post-neoliberal progressive governments possible and the implications of this in terms of socio-economic development. Another significant gap in the literature is the study of the renewed power which commodity exporting TNCs could be having within these post-neoliberal economies, given these governments' reliance on commodity exports. To fill these gaps, I raise these questions: to what extent are these governments underpinning the asymmetrical and dependent incorporation of their economies into the global capitalist economy? Further, what are the implications for development - and for these projects - of reasserting *dependency*.

The fact that commodity product exports are booming for countries in the region brings back into the debate issues previously addressed by Latin American *dependentistas*. Such questions, related to unequal exchange, external vulnerabilities, and development and technological dependency. Ironically, this are issues arising under the rule of governments that could be considered as from the Left. It is the contention of this research that there is no other body of academic literature available that is as comprehensive as the Latin American tradition of *dependency theory* which is capable of providing an understanding of how the region is being asymmetrically integrated into global capitalism under these new progressive political economies and the implication of this for economic development.

In addition to the Latin American tradition of dependency, Robinson's critical globalization theory was considered as a possible theoretical approach to frame this research project, but it was rejected because of its external (global) determinism and its implicit denials of the geo-politics of states and capitalist competition. William Robinson's critical globalization approach claims that capitalism is now organized both economically and politically along transnational lines. This implies that geo-political conflicts between nation-states and capitals are obsolete and have been replaced by a transnational state and a capitalist class (Robinson, 2001). Even if it is undeniable that capitalism today is far more transnational than 30 years ago, this research project argues against the notion of global convergence that, to a great extent, is obscuring the *asymmetries* between North and South which are emerging from the global economy. As Robinson himself states, in a Hegelian code, 'the truth is in the whole' (Robinson, 2008), but this limits the analysis of the particularities of uneven accumulation and competition between advanced and less developed states and capitals and, in particular, encloses the study of current economic trends within the 'totality' of transnational classes and state. Critical globalization studies, by suppressing the geopolitics of capitalist competitions from its analysis, denies the possibility of using this theory to analyze the process of *uneven accumulation and development* between advanced and developing economies, since the division between developed/developing economies becomes subsumed within the idea that capitalism today is organized along transnational lines within a single unity ('the truth is in the whole') (Robinson, 2001).

This claim of global convergence was highly contested by dependency theorists whose project was precisely about highlighting the asymmetries of uneven process accumulation between North and South in the international economy (Dussel, 1990; Dos Santos, 1970). This was in response to theorists from neo-classical development economics who, even if from a different perspective, reached a similar conclusion to followers of critical globalization studies. However, this research will argue against that conclusion. Another limitation of those approaches to studying the political economy - particularly in relation to the new progressive projects - is that a very strong emphasis is placed upon how countries have little room for manoeuvring within a context of transnationally organized capitalism (Robinson, 2001, 2008). This external determinism clashes to a great extent with the experience of these new post-neoliberal projects. In particular, these projects have shown the relative autonomy that internal class struggles might have in shaping a state engagement with the international political economy even in a context where the global political economy governance is based upon neoliberal principles.

On the other hand, the theory of the 'new imperialism' (Callinicos, 2003, Harvey, 2003) was another approach considered in this research. However, even if this framework provides a more assertive reading of recent dynamics within the global economy when compared to the critical globalization studies approach, it still appears limited in relation to the objectives of this research. Broadly speaking the main theoretical premises of that approach are: 1) that global capitalism has yet to exit from the era of economic crisis into which it entered in the late 1960s; 2) that one important dimension of the crisis is the division of advanced capitalism between competing centres of economic and political power between Western Europe, North America and East Asia. Consequently, (3) despite the real asymmetries of power between the US and other leading capitalist states, significant conflicts of interest still exist between them, and these are likely to give rise to geo-political struggles (Callinicos, 2007, 2009). The main limitation of this approach for the objectives of this research is that, as a revision of the Lenin-Bukharin thesis, the focus is on understanding capitalism in its heartlands and the geo-political competition (for example, inter-imperialist rivalries) between more advanced centres of capital accumulation. This theory, as currently stated, does not provide effective theoretical tools to analyze the dynamics of capitalist competitions emerging from the current process of uneven accumulation and development *between* advanced and developing economies in a global context. To a great extent theorists of the 'new imperialism' replicate the original critique addressed by dependentistas to the Marxist theory of imperialism, namely, that the starting point of the analysis is always with the most advanced capitalist economies but this overlooks the particularities of capitalism in post-colonial economies (Kay, 1988).

The Latin American tradition of dependency does have commonalities with the 'new imperialism' approach. Many decades ago it addressed the issue concerning the way in which the geo-political competition between states (Cardoso and Falletto, 1978) and capitals (Dussell, 1990) was an essential element that was needed in order to understand the dynamics of international capitalism. However, it addressed these points with the objective of understanding the existing asymmetries between developed and developing economies and how the process of uneven capitalist accumulation led to an uneven process of development which, in essence, is the objective of this project. Other literature that was considered in order to frame this project was Kiely's recent work on imperialism (Kiely, 2005) which, instead of revising the Lenin-Bukharin thesis, offered a version of Kautsky's theory of ultra-imperialism. This still, however, leaves the global South out of the central focus of analysis. In addition, Panicht and Gindin's theory of the US informal empire was also considered (Panicht and Gindin, 2003). This was, however, rejected since, even if this approach certainly offers good insights into US hegemonic influence, it still excludes an analysis of the role of China in the existing global governance structure. That role is something essential for our purposes here since, if anything has changed in terms of geo-politics with the ascendance of these new progressive governments, it is the declining influence of the US and IFIs in the region and the increasing influence of rising powers such as China and Brazil.

In addition the historical and structural method of the Latin American *dependency theory*, provides a framework that allows us to incorporate into the study of the political economy of post-neoliberalism in the region, elements of analysis that are missing in current debates. Specifically this means including issues such as: the class relations, the inter-relation between internal and external forces, a more complete notion of how external influences have a role in the configuration of internal relations, and how internal relations have a role in a nation's engagement with the external. As noticed by Cardoso and Falletto:

'The concept of dependence tries to give meaning to a series of events and situations that occur together, and to make empirical situations understandable in terms of the way internal and external structural components are linked. In this approach, the external is also expressed as a particular type of relation between social groups and classes within the underdeveloped nations. For this reasons it is worth focusing the analysis of dependence on its internal manifestations. (Cardoso and Falletto, 1979, p-15)

By using some of the conceptual tools provided by the Latin American paradigm of *dependency* I will aim to explain how the policies of these progressive governments are reliant in commodity exports, which is the structure of the post-neoliberal situation of dependency; how uneven accumulation is reinforcing economic dependency; how this hinders prospects of economic developments and how this theory provides the instruments put in context the political economy of these governments.

Newly Industrialized Countries (NIC) of South East Asia have been repeatedly cited as cases that contradict the accuracy of *dependency theory* (Amsdem,1979;Schwartz, 1989). The industrialization of former ‘peripheral’ economies has been presented by some as an example of how free trade, FDIs and international lending provided the right context for these Asian countries’ industrial development (Haggard,1986). International financial institutions echoes this argument as well, using the South-East Asian countries’ experience as an illustration that liberalized markets and export oriented economies were the right track for industrial development and not inward industrialization, protected markets and state intervention (Chang,2006). But further than that it was a strong policy of state intervention that led to industrialization in South East Asia (Wade,1990). The fact that former agricultural economies were competing in industrial production with developed economies challenged the premises with which *dependency theory* had been identified in western academia. In the west, the consumption of *dependency theory* has been mostly associated with the works of Andre Gunder Frank which, if important in its time, were highly deterministic and schematic. In particular, this is seen in its notions of the impossibility of upward mobility of dependent countries within the international framework and the primacy conferred in his work to external factors (international) in determining development prospects (Gunder-Frank,1966). The objective shortcomings of ISI in Latin America along with the rigid hierarchical view of the geography of international capitalism that is found in works on *dependency* written in English, provided the basis for cases such as Taiwan, to provide confirmation of the limits of *dependency theory* (Amsdem,1979).

In Latin America’s tradition of *dependency* instead of focussing on the deterministic paradigm often criticised, an historical structural analysis is considered. Here a dialectical understanding can be found concerning the relation between national social forces and the constraints imposed by global capitalism that challenge this kind of criticism. In Cardoso and Falleto’s words for instance:

We conceive the relationship between external and internal forces as forming a complex whole whose structural links are not based on mere external forms of exploitation and coercion, but are rooted in coincidences of interests between local dominant classes and international ones (Cardoso and Faletto, 1979).

The groundwork of *dependentismo* in Latin America, is that the international capitalist economy is embedded in structural asymmetries that certainly impair the possibilities of developing countries to expand their productive forces and that policies rooted in neo-classic economics paradigms, reinforce international asymmetries instead of global convergence as is assumed in these Ricardian notions of development (Saad-Filho, 2005).

In historical structural readings of *dependentismo* underdevelopment wasn’t the causal result of the international capitalist regime but, rather, an outcome of dialectical relations between national class struggles and the structural asymmetries of international capitalism (Cardoso and Faletto, 1979). The *situation of dependency* is nothing more than the specific way in which the international capitalist system (whose most dynamic centres are not in developing countries) impact upon less developed

economies (Ibid,1979) and the way on which developing economies are dependent in their interactions with developed economies in order to sustain their economies (Dos-Santos,1970). The idea of structural heterogeneity in the international economy arising from the asymmetrical distribution of the benefits of trade and investments, embodies the limitations less developed national capitals face in order to achieve development (Dussel,1991). But this does not unavoidably imply the existence of an static hierarchy of the international structures of capitalism. For instance, ECLA's project was embedded in prospects of upward mobility through ISI industrialization, '*associated dependent development*' allows room for upward mobility (Cardoso and Faletto, 1979) and even the radical tendencies within this tradition foresee upward mobility through '*national liberation*' or through reforms to the international system (Marini,1974) (Dussel,1991).

The apparent challenges that the Asian NICs present to *dependency theory*, are theoretically rooted in deterministic reading of *dependentismo* that circulated in western academia, which ignored the Latin American tradition (Cardoso,1977). This latter tradition offered a different ontology from Western *dependentismo* or even *World System theory* that is mostly regarded as the same approach in western academia (Saad,2005). The Latin American tradition suggests that structures (at the international level) do not determine agency (the outcome of national struggles) or economic structures (development) but rather it is the dialectical relation between national and international forces that are the one that historically formed national productive development (Cardoso and Falleto,1979). In terms of the Latin American tradition of dependency, if there is something that the South-East Asian NICs proved it was that there are shortcomings of ISI strategies in the region, but not of the essential premises of the tradition.

Nevertheless, the support neoliberalism achieved among labour based corporatist parties in the region (Demmers and Fernandez, 2001), the debt crisis, structural adjustments and the collapse of the USSR, made reflections about the regions subordinated insertion to global capitalism an anachronism. In the late 1990s, Cristobal Kay re-examined these issues arguing that *structuralist* and *dependency* traditions were still valuable paradigms to study neoliberalism in Latin America (Kay,1998;Gwynne and Kay; 1999,2000).In this work Kay proposed that since global asymmetries and financial vulnerability had increased under neoliberalism, and the fact that the growing presence of TNCs in the region had not resulted in technology transfers, the Latin American *structuralist* and *dependency* traditions could still provide important insights regarding these issues (Kay,1998). But in an historical period in which even radical thinkers embraced notions of global convergence (Negri,2000) in which 'the Empire ruled with no Imperialisms' (Boron,2005) Kay's argument didn't have major resonance. Mainstream accounts of global convergence became hegemonic in the region through the spreading of neo-classic paradigms of development founded in IFI's knowledge-based policies (Riggirozzi,2009), the influence of Western educated cadres in essential institutions (Dezalay and Garth, 2002), and the metamorphosis of traditional corporatist political parties into advocates of neoliberalism (Demmers and Fernandez, 2001). The market oriented global convergence views achieved such a high standing



that ECLA (the Mecca of *Structuralism*) embraced these principles in its account of *neo-structuralism*, which neglected international asymmetries and searched for a socially sustainable form of neoliberalism as some sort of Latin American Third Way (Taylor,2006;Levia,2008).

The material bases for ideas of global convergence, was provided by the deep transnationalization of investments and trade after the mid 1960s (Martell,2010) (Gill and Law,1988). The re-localization of manufacturing industries to developing countries; the emergence of globally integrated value chains that could synchronize production process; global trade and retail sales across the planet (Gereffi and Korzeniewicz,1994); and expansion of transnational corporations; all in certain way delocalized the economic geography of international asymmetries between the divisions of 'centres' and 'peripheries' (Sklair,2002). The transition from international political economy towards a global multilateral one, have certainly reshaped accumulation and class relations (Cox,1987). But a recurrent emphasis on global convergence - even amongst critical scholars (Hardt and Negri,2000) - has obscured in certain way the persistent asymmetries between developed and developing nations. In 1978, the per capita income enjoyed by inhabitants of developed countries was virtually five times that of the highest income economies and twelve times that of the lowest income nations in Latin America. By 1995, the ratio had augmented to 7 and 30 respectively (Kay and Gwynne, 2000).

But regardless of increasing global asymmetries, the rise of China and the BRICS presents a new defiance against perspectives that stress capitalism global asymmetries rather than its convergence. China, an agrarian economy until the 1980s, at the moment is accountable for 11.11 percent of global GDP, only bettered by the United States and the EU-27(World Bank, 2011). But are all the BRICS in the same position? In 2011, the combined global GDP share between Brazil, Russia, India and South Africa was of 9.2 percent of global GDP, still 1.9 percent less that China alone (Ibid, 2011). China, which is still considered a developing country, in 2011 was accountable for 18.9 percent of global industrial output (IMF,2012) while Brazil, Russia and India jointly were responsible for 8.3 percent of global industrial GDP (Ibid,2011). This year, the United States (21.71 percent) and the Euro-27 zone (23.74 percent) were accountable for 45.41 percent of the global GDP. If China is included, 56.52 percent of global wealth was generated in the most dynamic centres of capitalist accumulation. In similar fashion, the Euro-27 was accountable for 20.3 percent of global industrial GDP and the U.S. of 18.2 percent (CIA, 2011).Just three regions taken together (the United States, Europe and China) were accountable for 57.4 percent of global industrial output in 2011. While the only two Latin American countries listed among the highest 20 industrial producers (Brazil and Mexico) accounted for 5.4 of global manufacturing output (CIA,2011). What China and the BRICS demonstrate is that a new global balance of power might be developing and one that is not based on declining international asymmetries or frameworks of global convergence.

The Latin American debt crisis in 1982 exposed the fact that *dependency* rather than ending was reaching higher levels. From 1970s onwards, the region's economies became increasingly dependent on foreign capitals to balance their payment accounts thus increasing their financial vulnerability. (Gwynne,1990). In the midst of the crisis, this provided leverage to the IMF to force structural reforms - that dismantled the developmental structures created during ISI period - in exchange for new funding (Kay,1998). In the era of global convergence, the enduring need of external funding integrated Latin America into the new structure of international capitalism as an exporter of non-traditional crops (Gwynne,1997), recipient of FDI through privatizations (Petras and Veltmeyer,2004), an emerging financial market (Kulfas,2005) and an investments platform for transnational conglomerates (Fernandez-Jilberto and Hobeboom,2008). The foreign exchange insufficiency, a vulnerability predominant throughout ISI period, was replaced during this time by the permanent need for financial flows coming from either IFIs or TNCs. Latin American countries were still transferring vast amounts of resources to developed economies in the form of interest, external debt payments, royalties and dividends (Kay and Gwynne,2000) but these were occurring, instead of mostly through the traditional mechanism pointed to by *dependentistas* (via unequal exchange), through a wide range of other incorporated methods. The reappearance of policies based on revised versions of neo-classic paradigms of development economics instead of bringing prosperity increased levels of poverty by 5.7 percent (representing 67 million new poor) between 1980 and 1997 and with a regional average GDP growth of 2.4 percent, less than half of the 5.5 percent averaged during ISI (ECLA,2004 and 2010). Economic liberalization rather than disputing, had reiterated *Dependentistas* essential premises that global convergence is not what results from free trade and, further, that the international capitalist economy is embedded in structural asymmetries that hinders development prospects for less developed economies.

With the consolidation of neo-classic version of development policies across the region, the heuristic notions of development promoted by IFIs in which nation-states have a minimal role in development, uncertain notions of civil societies replaced classes and NGO's humanitarianism replaced welfare states (Schuurman,2000) and the challenges for development advance by *Dependentistas* were almost forgotten. But with the return of the 'Left', issues concerning redistribution, international asymmetries, the role of the state in development and even industrialization were back in the agenda. Anti-neoliberal policies in the region, between 2002 and 2010 decreased poverty by 21 percent (41.5 million less poor) and put economic growth on track with a 5 percent regional average between 2002 and 2008 (Barcena and Gurria,2012). But the fact that along with these achievements commodity exports were booming opened the question: to what extent issues previously addressed by *Dependentistas* would once again be relevant for the analysis of the emerging post-neoliberal political economies in the region? This does not mean that dependency vanished under the 'global convergence' but that since primary exports are the main channel through which these progressive governments are integrating into global markets, old issues related to unequal exchange, dependency and development can assume novel forms under

the these post-neoliberal projects. This raises the question of whether Latin American perspectives of *dependency theory* can offer a framework to analyse these post-neoliberal economic governances.

### *Post-neoliberalism and Latin America's Dependency tradition*

#### *Commodity exports and Dependency*

*Dependency theory* is almost certainly one of the most original contributions to political economy that has come out of Latin America. *Dependentistas* gave a voice to those who called for a greater degree of national control on development process and foreign capital (Kay, 1989) and those who stressed that capitalist social relations assumed a different form in developing countries. For *dependentistas* the differentiated form of capitalism that is seen in developing countries is a by-product of these countries' integration into the international economy (Dos-Santos,1970). Underdevelopment, for *dependentistas* is not seen as a phase of modernization as orthodox Marxist theorists have argued (Kay,1989) but instead is a condition that arises from the dependent relation of some countries with others. In a broad sense, among *dependendistas* an economy is dependent when the accumulation and expansion of capital cannot find its essential dynamic components inside its economy (Cardoso and Falleto,1979). The argument is, that circuits of capital accumulation in dependent countries differs from that of developed countries, since realization of capital in dependent economies does not rely mostly on domestic markets, but on export markets (Marini,1974). For Marini, in developed economies capital accumulation is dependent essentially upon increases in the extraction of relative surplus value through the introduction of technical progress. This increase in labour productivity allows capitalists to afford better wages without losing profits and this increase in the workers income fuels demand for manufactures goods. On the other hand, in dependent economies as the realization of commodities sold by big capitals does not depend on internal demand but in export markets, local capitalists are not compelled to introduce technical progress to guarantee the realization of capital. As a result, in dependent economies, wages stay low given that domestic consumption is not essential for the realization of capital (Ibid,1974). As national consumption cannot sustain on its own the aggregate expansion of capital in developing economies, these countries become dependent in industrialized economies export markets for sustaining the expansion of capital. As stated by Dos Santos:

'Dependence is a conditioning situation in which the economies of one group of countries are conditioned by the development and expansion of others. A relationship of interdependence between two or more economies or between such economies when some countries can expand through self-impulsion while others, being in a dependent position, can only expand as a reflection of the expansion of the dominant country, which may have positive or negative effects on their immediate development. In either case, the basic situation of dependence causes these countries to be both backwards and exploited' (Dos Santos, 1970,p-231)

The argument is that while industrialized nations can sustain economic growth without the dependent economies' commodity exports, dependent nations cannot grow without the continuous expansion of industrialized nation's demands for its commodity exports. The fact that in high income countries one finds strong markets, higher wages, lower unemployment, welfares states, large public budgets and far larger economies.

These factors make these economies more resilient since a large component of capital realization is internal. But in dependent economies where these conditions of capitalist accumulation do not operate, commodity exports have a crucial role as the main source of foreign exchange, public revenues, stable payments accounts and investments. All of these are indispensable in developing countries for sustaining economic activities (Torado and Smith, 2009). Reductions in the supply of any of these, will lead to the reappearance of Latin American economies' chronic illnesses of payment unbalances, dollars shortages and fiscal deficits which, in the contemporary context, will end the possibility of sustaining the hegemonic policies of the economy of post-neoliberalism.

In their critique, *dependentistas* challenge neo-classic views concerning international trade in which instead of relationships of dependence international trade is conceived as embedded in relationships of interdependence that emerge from comparative advantages (Ricardo, 1819 in Love, 1980). They stress the uneven process of accumulation on which, in their view, the international economy is entrenched and argue that between developed and developing economies a uneven 'interdependence' is what takes place.

As Cardoso and Falletto argued:

'While some national economies need raw material produced by unskilled labour, or industrial goods produced by cheap labour, others need to import equipment and capital goods in general. While some economies become indebted to financial capital cities of the world, others are creditors' (Cardoso and Falletto, 1979, p-xxi)

As emphasized by Marini, one of the main issues is that capital accumulation circuits are different in developed and developing economies due to its uneven degree of development (Marini, 1974) Then, as he stated: '*Thus, the conditions are set for the over-exploitation of labour as long as a sufficient large surplus population exist*' (Ibid, 1974). This reinforces an international process of uneven accumulation, in which cheap labour in the global south subsidized the decline in the rate of profits for capitals of industrialized economies, while dependent economies have to acquire capital goods or technology exported from developed economies (Ibid, 1974). In a context of international competition, dependent economies supply international markets with what they can provide: cheap labour and commodities. Meanwhile developed countries, provide global markets with high value added products and technology. The international process of unequal exchange, *dependentistas* argued, reveals the dependent instead of interdependent nature of developing countries' relationship with industrialized economies and the asymmetrical structure of international capitalist economy (Dos Santos, 1970). In this sense the strengthening of commodity exporting economy among these progressive governments, rather than challenge this asymmetrical international structure, reinforce the subordinated integration of their economies to international capitalism.

At the centre of this paradigm is the question of the balance of power relations between developed economies and its TNCs, and Latin American countries. The heart of the subject of dependency was based on the fact that Latin American states could not be fully sovereign given their position in international capitalism (Cardoso and Falletto,1979). Although for several Latin American economies commodity exports are still an essential component of their GDP, the issue of dependency was more related to what Furtado called the 'external vulnerabilities' (Furtado,1970). For Furtado external vulnerabilities is used to denote the influence that external economic conditions could have upon dependent economies (Ibid,1970). It is related to the coercive power that foreign capitals or banks, the international economy or foreign states, could exert over dependent economies' developmental trajectory (Dos Santos,1970). For example, as critics of ISI some *Dependentistas* placed emphasis on the power TNCs were having upon Latin American economies, not only because of the transference of resources but also because this was transferring key decisions regarding the development strategy to powers outside the country (Furtado,1970).

But this external vulnerability generated by the growing power of TNCs was, at the same time, the result of the foreign exchange scarcity external vulnerability that the region experienced during the first phase of ISI. After the 1960s, productive FDIs were encouraged in order that they could overcome the foreign exchange insufficiencies and be able to sustain the capital goods imports needed for industrialization (Sunkel in Kay,1989). The liberalization of banking in the 1980s, even if ended with foreign exchange insufficiencies, led to the balance of payment deficits that paved the way for the 1982 debt crisis. By the late 1980s the external vulnerability was the permanent need of IFIs loans in order to finance the balance of payment deficits, which transferred key decision making regarding the economy once again outside of the nation, but this time to global governance institutions such as the IMF (Basualdo,2006).

The external restrictions that created mechanisms of dependency, varied in accordance with the various forms in which capitalism was organized in Latin America. Before the 1930s, export markets, financial unbalances, and states polices, were the leading mechanism of dependency under the 19<sup>th</sup> century outward oriented economy (Romero,2006). The objective of ISI was to reverse this external vulnerability, but it was confronted with foreign exchange shortages generated by an inward oriented economy (Sunkel in Kay,1989). In the 1950s, the growing power of TNCs made foreign capital key stakeholder in the situation of dependency (Furtado,1970). And during the neoliberal period, the need for external funding became the mechanism of dependency and made the IMF the principal external coercion stakeholder. But with the crisis of neoliberalism, a dissimilar engagement with the global economy is emerging and, not without shortcomings, these governments had decreased poverty levels in the region from 44 percent of the population to 33 percent between 2003 and 2008. Public debt had contracted on average by 15 points of GDP and fiscal balance moved from a general 2.4 percent of

GDP deficit to an average surplus of 0.4 percent. (Barcena and Gurria,2012). But a vital paradox is that these achievements have been possible by the incorporation of Latin American economies into global circuits of capital accumulation as commodity providers. The need for foreign exchange, export tax revenues and trade surpluses have become the external restrictions that created mechanisms of dependency under these progressive governments. It was estimated in 2010 that over 50 percent of Latin America's exports were primary products and at least 60 percent of the value added in the region was in natural resource intensive sectors (Ibid,2012)

The anti-IMF positions of these governments had conferred greater policy space to put into practice policies that dispute the Washington Consensus policies, but these have been possible mainly due to the fact that the IFIs had lost its power because of the huge improvements most of these government had experienced in balance of payments. This had been possible to a great extent because of the recent growth in commodity exports. Nationalization of commodity industries or increasing export taxes had expanded public revenues which in consequence had made possible progressive social programs or mechanism of redistributions (Weber,2009;Lander,2008;Stefanoni,2012). Even in Argentina and Brazil - in which progressiveness is more associated with industrialization - improvements in industrial output is openly subordinated to the availability of the foreign exchange, which is mostly generated by the commodity exporting sectors. The same situation will apply to Ecuador which announced recently a 16 year long industrial plan to move the country away from semi-primary exports (Ibid,2012) but once again, it is not clear how this will be possible without the foreign earnings generated by commodity trade or, on the other hand, increasing external debt and falling again under IMF's sphere of influence. What is novel about this external vulnerability and situation of dependency, is that it is not merely concerned with the capacity of these economies to self-sustain it, but is, in addition, about sustaining a more progressive organization of capitalism and anti-neoliberal projects that can be regarded as from the Left.

Paradoxically, given the importance commodity exports have for the survival of these governments' policies, the post-neoliberal political economies, are entrenched in reinforcing the growing influence exporting TNCs are gaining. The weight that Shell could have over Venezuela's crude oil exports or Cargill could have over Argentina's and Brazil soy exports, could have a direct effect on the local supply of foreign earnings, public revenues or in the health of the balance of payments. These could jeopardise the continuation of not just a few of the current progressive policies. This leverage not only gives these TNCs a significant influence upon the developmental policies of the current governments, as was argued by Furtado in the 1970s, but as well it makes these TNCs chief stakeholders concerning the boundaries of progressiveness. Differently from in IMF times, the discipline of these TNCs is not about shaping economic policy, but rather in assuring conditions for the growth of the commodity exporting economy. This has transformed these commodity exporting TNCs into key stakeholders in how the continent's economies are integrated in a subordinated way into global markets, through the global value chains under their command (Gereffi, Humphrey and Sturgeon,2005).

It appears as if the dialectics of the progressive turn in the region is that the survival of these projects are embedded in reinforcing these countries' asymmetrical incorporation into international capitalism as commodity providers and yielding to the power of the TNCs which are in monopolist control of these commodity exporting clusters. This is why, the way in which Argentina's current organization of capitalism is dependent upon developed economies; the uneven process of accumulation in which the country is internationally inserted into global capitalism and the structural influence TNCs have gained are examined in this research as the mechanisms of *dependency* generated by the current 'external vulnerability' (Furtado,1970)

#### *Technological Dependency*

Another important factor for dependency stressed by *dependentistas* is the technological dependence that Latin American countries face. In comparable way with the issue of lack of internal aggregate demand, technological dependence is another aspect which weakens the chances of the internal realization of capital, making these countries dependent on capital exports from industrialized economies in order to uphold the expansion of capital (Dos Santos,1970).For Cardoso, one of the decisive components needed for capitalist economies to expand is the capacity to enlarge their scale of fixed capital. This is only feasible if a country can manufacture capital goods, new technologies, new machinery and equipment (Cardoso and Falletto,1979). In dependent economies, the lack of technical development makes fixed capital expansion dependent upon capital goods imports from industrialized economies. The transnationalizations of global value chains during the last decades have not changed this condition of technical dependency. In 2010, of the 1.8 million industrial design patents globally enforced, only two countries control 30 percent of them (U.S. and Japan - 15 percent each). In the same year, 70 percent of patents applications and research and design spending was concentrated in high incomes countries, which excludes China. Actually, China in 2010 registered 334 thousand industrial design patents, ahead of second placed South Korea with 33 thousand, Japan with 27 thousand and the US with 22 thousand. On the other hand Mexico registered 2,642 and Brazil and Argentina none. The fact that China is not considered a high income country yet registered 10 times more industrial patents than the second placed country gives us an idea of the level of concentration that technical innovation and intellectual property still have (WIPO,2012). Late industrial economies in the 19<sup>th</sup> century, quite apart from the policies they used to achieved this, could 'catch up' with Britain principally because these countries attained an equivalent degree of technical progress that allowed them to compete in the capitalist market with Britain (Chang,2005). In the same way the last century, Japan and South Korea, managed to 'catch up' because they moved beyond the semi-primary economy and developed their industrial technology, and this today has made them two of the top countries in the registration of industrial property rights patents. As Dos Santos asserts:

'If the dependent economies can obtain a high degree of productive autonomy and develop an important sector (capital goods) foreign capital would lose its capacity to determine the character of its development, it would turn into a purely artificial expression which would soon be destroyed, terminating the dependent relationship.' (Dos Santos;1978 in Kay;1989)

The fact that post-neoliberal governments in Latin America, are still dependent on commodity exports, hinders their prospects of technological progress and productive forces development for the region. A recent joint report of ECLA and the OECD, stated that while 60 percent of valued added in the U.S. is knowledge base, in Latin America 60 percent of the value added is commodity related. And that, as result of the fact that local capitalists invested little in R&D and technological activities and that Latin American firms are concentrated on acquiring machinery and technical equipment from international markets (Barcena and Gurria,2012).

The actuality that commodity exports are still one of the most dynamic economic activities and that in Latin America local markets are not the major source of profits for large corporations, does not pressurise industrialists to invest in R&D. The reinforcement of the commodity exports' economy by these post-neoliberal governments, to a great extent, keeps locking the region's economies at the lower echelons of global value accumulation, which obstructs the chances for technical development. This, is a fundamental factor to be consider at the moment of analysing the implications for economic development of the current progressive political economies.

#### *Uneven Accumulation and Post-Neoliberalism*

The *Dependentistas* emphasis in stressing the differences among the process of realization of capital in dependent and industrialized countries was an expression of their widespread interest in developing a Latin American critique to the Marxist theory of imperialism. The interest in developing a Marxist theory of dependency was motivated by the fact that Marx never fully tackled the colonial question, being its theory concerned with understanding capitalism in most advance economies (Kay,1989). For *dependentistas*, the theoretical test was to give an explanation of the different development process of underdeveloped dependent economies (Ibid,1989). In traditional Marxist accounts the expansion of capitalist social relations is presented as the universal expansion of history, which will becomes fully universal with the uncivilized world's contact with Europe (Arico,1988). In Marx's own accounts of Latin America, India and Ireland, he was explicit about the progressive character of colonialism since it advanced the universalization of capitalist social relations among the nations 'without history' in the non-European world (Ibid,1988). The Eurocentric tone of traditional Marxism was reflected in its views regarding imperialism, which it can be summarized in versions of inter-imperialist rivalries or different accounts of ultra-imperialism. Thus its examinations start off from the analysis of capitalism in the most developed nations and not from the study of capitalists' structures in the colonial or post-colonial world (Larrain,1989).

The theoretical argument is rooted in the principle that dependent economies through their insertion into the international capitalist economy, transfers a substantial share of national wealth to developed countries. The resources transfer hypothesis materialized for first time with Prebisch's 1949 essay on unequal exchange, which introduced into debates about economic development the idea of an international economy as one divided by industrial centres and agrarian peripheries, in which the



former subordinate the latter through unequal exchange (Love,1980). Prebisch argued that the trend in the terms of trade for primary exports would be towards a decline, versus the terms of trade for industrial products imports.

This was at the core of a process of an unequal transfer of resources from primary product exporting economies to industrial product exporting countries. Giving that as he pointed out:

‘On average, a given quantity of primary exports would pay, at the end of this period for only 60 percent of the quantity of manufactured goods which it could buy at the beginning of the period’ (Prebisch; 1949 In Love;1980).

Prebisch’s argument represented a challenge to Ricardian notions of comparative advantages on which trade reduce international differences and the commerce between two countries represent benefits for both, even if one country is more efficient in its trading than other (Ricardo, 1819 in Love;1980). Prebisch’s conclusions informed ECLA’s inward oriented industrialization, but when ISI was entering into crisis, and as a result productive TNCs spread out in the region, the question of exploitation of labour, financial transference and technological dependence, became central for *dependentistas*. In a similar way as for Prebisch, for Dos Santos *dependency* is also centred on unequal exchange and drains of surpluses (Dos Santos, 1970). The structure of *dependency* for Dos Santos was based on the deterioration of the terms of trade, the fact that foreign capitals were in control of the most dynamic economic sectors and repatriate a large volume of their profits, all of which means that dependent economies are confronted with balance of payments problems. This in turn, made foreign loans necessary and through this a larger share of domestic wealth was transferred to developed countries in the form of interest (Ibid, 1970). For Dos Santos it was the drain of surpluses, foreign control of the productive matrix, and technological dependency which provided the central factors that restrained internal markets and technical capacity expansion (Ibid, 1970).

In Marini in the other hand, the foundation of dependent capitalism it is in the transference of surplus-value through the super-exploitation of labour (Marini,1974). Marini conceptualized unequal exchange beyond international trade, to focus in the role that Latin America has in the technological expansion of capitalisms of the industrialised countries. In his analysis, Latin America’s cheap wage goods export allows it greater accumulation of value and its raw materials would fuel manufacturing expansion. This in turn, would support the development of the organic composition of capital in developed economies (Ibid, 1974). For Marini, unequal exchange is based on the process of exchange of value between capitals of different compositions. As a result, capital that exploits labour in relative terms will transfer a lower share of total value in order to acquire the goods produced by capital of lower organic composition. While, on the other hand, capital of lower organic composition in dependent economies sees the need to not only exploit labour in absolute terms but super-exploit labour in order to compensate for the larger share of value that they transfer to most developed capitals when acquired capital goods, at the same time that countering the decline in the rates of profits (Ibid, 1974).

In Enrique Dussel's work we can find a reading of *Dependency*, that could be very useful in order to understand the new post-neoliberal situation of dependency. While Dussel concurred with Marini on several points, he argued that the fundamentals of dependency are found in the relationship between total national capitals of different organic compositions in a context of capitalist competition (Dussel, 1990). For him, the relation between capitalist countries is one of competition, instead of exploitation. In his framework, dependency is not a relationship of exploitation, but one of subordination of weaker national total capitals, by national capitals of higher organic composition in a context of international capitalist competition (Ibid,1990). Using Marx's 1857 manuscripts as a starting point, he argues that it is on the world market, in which the sum of all capitals exercise its real behaviour of capitals as capital (by trying to achieve expansion), that international competition fulfils the task of distributing the world's total surplus (Ibid,1990). In circumstances of competition less organically developed capitals will be subordinated to capitals of higher composition, as higher productivity rates involve higher volumes of surplus-value extraction that will be used to assure higher composition capitals are positioned well in competition with other capitals. Dussel argues that this is the reason why, national total capitals of higher composition (industrialized economies) always want free trade, while national total capitals less organically developed prefer protection (Ibid, 1990). It is in this dynamic of uneven competition and uneven accumulation of value that *dependency* it is affirmed and not due to process of drains of surpluses. This factor of the drains of surpluses, even if still persistent and widespread, would arguably not be enough on its own to maintain the enduring Latin American situation of dependency. Thus, uneven accumulation between developed and underdeveloped countries appears as part of a process of uneven competition between national total capitals, rather than as the result of wealth surplus drains.

This reading of *dependency* provides key elements to expound the structure of the post-neoliberal unequal exchange. This is because, whereas Latin America's commodities are underwriting good margins for high value added activities for the main industrial countries or regions, for the Latin American region this means reinforcing its integration into the global economy as a low value added economy and a long term technology consumer. This in turn, hinders the chances for increasing the organic composition of capital in the region and gaining competitiveness at a global level while reinforcing international structures of uneven accumulation. The subordination of capitals of lower organic composition is well replicated inside of the most dynamic commodity chains in Latin America, which are mostly controlled by TNCs (capitals of higher composition), and this reinforces uneven accumulation even in the domestic economy. These power relation dynamics within these chains, contain the particulars of how dependency is structured under the post-neoliberal organization of capitalism and it is through analysing particular value chains that the study of the post-neoliberal dependency should be undertaken. As it was put it by Kaplinsky, it is important to identify how the gains of globalization are spreading along value chains in the new process of capitalist accumulation in the region (Kaplinsky,2000).

It is important to draw attention to the fact that situations of dependency will not automatically have precise outcomes, but, rather, that internal class struggles are fundamental to determining outcomes (Cardoso and Faletto, 1979). From this perspective, uneven accumulation presents constraints for economic development, but does not determine upward mobility. There are internal processes of class struggles that shape a dependent's countries will to end economic dependency or to pursue more progressive forms of capitalism as in the case in the Latin American region at the moment. The degree of autonomy that the new progressive governments' political economies have achieved, in an international context in which neoliberalism is still hegemonic at global level, is an example of the relatively autonomous dynamic that internal class struggles and national structures can have from the global capitalist economy. As stated by Dos Santos:

'The dominant social formations are the irradiating focus of the cycles and thus their analysis precedes or conditions the analysis of those dependent social formations which have to accommodate themselves to these international cycles reacting positively or negotiable according to their internal characteristics. Among these characteristics are their own economic cycles which as they derive from their internal laws of accumulation do not necessarily coincide with the international conjuncture' (Dos Santos' 1978) Kay; 148).

Nevertheless, even if this is the case, economic policies will constantly be profoundly mediated by the imperatives of international capitalist competition and internal productive forces. Global competition, embodies the power relations in which dominant and subordinated total national capitals operates. But with the WTO, many of the asymmetries underpinned by *dependencias* became the frameworks of trading relations. With the approval of the Agreement in Trade-Related Investment measure (TRIMs) FDI inflows to the region augmented by 500 percent (73 billion dollars) throughout the 1990s. Over this period TNCs, from representing 12 percent of the top 500 manufacturing firms in the region in 1990, passed to represent 60 percent in 2000 (ECLA, 2009). Under this agreement the protection to infant industries in developing economies was banned (Wade, 2005). But on the other hand, the Agreement on Agriculture (AoA) provided developed countries with the capacity to keep subsidizing its agricultural production in order to sustain its competitive position versus developing nations producers (Rosset, 2006). The agreement on Trade-Related Aspects of Intellectual property rights (TRIPS) is another clear example of how the WTO has reinforced asymmetries. Under this agreement, developing countries cannot use measures such as reverse-engineering or imitations as a way to increase its technological productive level (as it was allowed under the GATT trade regime), and this measure strengthens even more the virtual monopoly of technology of developed industrial countries (Gallagher, 2005). In 2010, more than 80 percent of FDI outflows originated in developed economies. Of these the US, Germany, France and China were the top four origin economies of FDI outflows, and accounted for 58 percent of global FDI outflows that year (UNTACD, 2012). Of the 100 top TNCs in the world in 2011, 36 have the U.S. as a home country, 30 Western Europe and 14 China which means

that these countries are represented as being the home country for 80 percent of the largest capitals worldwide (Financial Times, 2011).

It is seems that free trade in its WTO version, rather than leading to convergence has reinforced asymmetries as was argued by Latin American *Dependentistas* several decades ago. Even if Latin America's post-neoliberal projects had achieved greater autonomy from IMF and financial markets, the parameters established by the WTO for the global capitalist economy are embedded in reinforcing the dependent economies subordinated position. This makes the engagement of these progressive governments within the WTO regime a factor in the analysis of the new situation of dependency.

## *Conclusion*

The limitations of the literature regarding the political economy of post-neoliberalism in Latin America, has opened the possibility for approaching these progressive governances from different perspectives. Narrow readings of post-neoliberalism as either a continuation within ruptures with neoliberal policy practices, or, as an expansion of state intervention in the economy, haven't fully provide a framework that could identify what is particularly new concerning these political economies. They have also not been able to offer a broad examination of deeper economic relations that are taking place under these progressive projects. In these works, by not engaging with neoliberalism as particular organization of capitalism, and neither studying the specific mechanisms that are making these progressive projects economically viable, nor the international dimensions of the new economy, the particular importance that commodity exports are having in making the policies of these new governments possible are mostly absent in the academic literature. In a similar way, the influence that TNCs are having in the new economic power relations and the subordinated way in which the region has been reintegrated into global capitalism are also fairly absent in the current debates regarding the anti-neoliberal turn in the region.

In this chapter it had been argued that the Latin American tradition of *dependency theory* can still be a valid approach for interpreting the fundamental paradox in which these post-neoliberal governances are embedded. The necessity for foreign exchange, export revenues and trade surpluses for sustaining the policies of these progressive governments, had become the external restriction that is generating the mechanism of dependency that will be studied in this research. The reliance of these governments on the expansion of commodity exports in order to overcome this external restrictions as in the past, is incorporating Latin America as a dependent region into the international economy. The particularity in this historical moment, is that it is not merely concerned with the capacity of these economies to self-sustain it, but is, in addition, about sustaining a more progressive organization of capitalism and anti-neoliberal projects that can be regarded as from the Left. This reliance on commodity exports not only is integrating the region to global markets as a as commodity products providers and industrial goods consumer, but by doing this is reinforcing international uneven accumulation and hindering the long term prospects of the region for economic development. In this circumstances, Latin America's tradition of dependency theory become a valuable paradigm to study the way in which Argentina's current organization of capitalism is dependent upon developed economies; the uneven process of accumulation in which the country is internationally inserted into global capitalism and in addition the structural influence TNCs have gained under the current post-neoliberal turn.

## Chapter 3

### *The Post-Neoliberal Restructuring in Argentina*

#### *Introduction:*

Following the 2001 default and popular uprising, economic policies in Argentina began to move away from the market oriented policies that governed the economy from 1976 until the 'Argentinazo'. The arrival of Néstor Kirchner onto the Argentine political scene brought to the public view a very critical stand against neoliberal policies and a pledge to end the free market un-regulated economy. Once in office, Nestor Kirchner initiated a set of economic policies that intended to transcend the economic growth pattern dominant during previous decades. These policies brought Argentina's economy into the longest uninterrupted periods of economic growth in its history with an average growth of 8.5 percent between 2003 and 2008 and 6.2 percent between 2009 and 2011(char 2.1). The latest macro-economic governance has shown Argentineans that there is life after neo-liberalism and had put in serious crisis any political project that embraced the free market oriented policies of the 1990s.

Nonetheless, the extent to which the current political economy in Argentina and of other 'progressive' governments in Latin America can be genuinely depicted as post-neoliberal is still under academic scrutiny (Grugel and Roggirozzi;2009) (Macdonald and Ruckert;2009). Although it is acknowledged that Kirchnerism can be considered as a *neo-developmentlist* model (Gerchunoff and Aguirre; 2004) (Katz;2006) the examination of the specific features of the new macro-economic governance and the particular way in which capital accumulation have been restructured under the new political economy are themes which are particularly understudied. Since neo-liberalism is a particular organization of capitalism (Saad-Filio;2011) the analysis that will be conducted here will explore to what extent the current economic-governance represent a different organization of capitalist accumulation from the one dominant during neoliberal period.

This is undertake in order to demarcate an assessment of what is new about the post-neoliberal political economy of this progressive project, beyond the dominant readings that focus their analysis on policy practices. It is argued that the current political economy in Argentina can be as considered as post-neoliberal, since it embodies a re-arrangement of the process of capital accumulation and social reproduction if contrasted with the organization of the previous neoliberal capitalism in the country.

This is not as the outcome of the pendulum swing between state and market but, rather, as the consequence of the emergence of a new class alliance (with a progressive component) that its imposing a particular kind of regulatory framework in order to assure the present organization of capital accumulation (Gramsci;2005). From this perspective, the post-neoliberal state represents a hegemonic project of the capitalist sectors in that their economic interests are attached to the 'national markets' rather than global markets. The expansion of aggregate demand; protectionist policies; industrial

polices; and a foreign policy focussed on gaining more international autonomy; appear as essential elements in advancing the interests of a class alliance led by the 'national bourgeoisie'. The interpretation in this work assumes Gramsci's understanding of the state as:

'A third moment is that in which one become aware that one's own corporate interest, in their present and future development, transcends the corporate limits of purely economic class, and can and must become the interest of the other subordinates groups too. This is the most purely political phase, and marks the decisive passage from the structure to the sphere of complex superstructure; it is the phase in which previously germinated ideologies become a 'party', come into confrontation and conflict, until only one of them, or at least a single combination of them, tends to prevail, to gain the upper hand, to propagate itself throughout society-bringing about not only a unison of economic and political aims, but also intellectual and moral unity, posing all the question around which the struggle range not on a corporate but on 'universal' plane, and thus creating hegemony of fundamental social groups over a series of subordinate groups. It's true that the State is seen as the organ of one particular group, destined to create favourable conditions for the latter's maximum expression. But the development of expansion of a particular group are conceived of, and presented, as being the motor force of universal expansion, of a development of all national energies. In other words, the dominant groups, and the life of the State is conceived of as a continuous process of formation and suspending of unstable equilibrium (on judicial terms) between the interest of the fundamental groups and those of dominant groups prevails, but only up to a certain point, i.e. stopping short of narrowly corporate economic interest (Gramsci,1998, p-181)

Kirchenerism, as this research shows, represents a hegemonic project of the 'national bourgeoisie' that was displaced from the corridors of power during the neo-liberal period (Besualdo, 2006) and that, in order to 'build consent' for the hegemonic project, embraced a set of progressive policies based on redistribution, greater international autonomy and industrialization. This post-neoliberal ruling class alliance represents a re-arrangement of the capital accumulation, social reproduction and structure of the state, and because of this, it also represents a different pattern of how Argentina is integrated into global markets compared to some other states. This highlights, as this research argues, the post-neoliberal situation of dependency (Cardoso and Falleto, 1978) and the specific mechanism of dependency emerging from this progressive project. In summary, this reflects the 'paradox of progressiveness' in Argentina as the rise of a progressive class alliance that, in turn, entails the emergence of a new situation of dependency.

The first section of this chapter provides an overview of the neoliberal organization of capitalism during the 1990s. The second section analyses the specific structure of the new macro-economic structure showing how it represents a new process of post-neoliberal capital accumulation. The third section analyses how productive sectors as manufacturing and agriculture have experienced changes under the present socio-economic governance and the fourth section shows how the process of social reproduction has changed under post-neoliberal capitalism and how the expansion of Argentina's international autonomy is part of the progressive project. In the last section, the political economy of post-neoliberalism and its progressive components are discussed from a perspective that interprets the class relations underlying this particular organization of capitalism that the post-neoliberal restructuring represents.

### *Kirchnerism in the shadows of Neoliberalism*

To fully understand the Kirchnerist turn it is fundamental to have at least a later understanding of the historical development of neoliberalism during the 1990s in Argentina. Even if the neoliberal project began in 1976 with Martinez de Hoz '*Process of National Reorganization*' during the last Military government, it was indisputably under Carlos Menem's government that neoliberal capitalism was consolidated in the country. Menem reached office in the midst of a serious hyperinflation crisis, which forced Raúl Alfonsín to abandon the presidency before the end of his term. Very soon after his election Menem made public his support for what he called a 'popular market economy', praised economic liberalization and proclaimed the virtues of privatizations (Romero, 2006). By mid-1989, his government passed the two most important laws of the first period of market reforms: The Economic Emergency Law and The State reform Law. The first law suspended for 180 days the industrial promotion incentives, eliminated FDI restriction which granted to transnational corporations the same legal status as national companies, and suspended the policy of granting sales contracts to local companies to supply government's required supplies and services as economic incentive. The second law introduced the most significant reorganization experienced in Argentina during the last decades, namely, the privatization of public companies. These legislative measures aimed to introduce structural reforms to the Argentinean economy at various levels. On the one hand, they were forcing competition as a mechanism to discipline corporate sectors and on the other, they were transforming the structure of the state by expanding capitalist relations (Peralta, 2006).

The privatization of public companies has been proposed by the IMF as part of the Baker Plan since 1985, but it was blocked by the Peronist MPs during Alfonsín's government. In order to avoid parliamentary opposition the new laws gave special power to the executive to authorize privatizations by decree and by the end of the year the privatization of ENTEL, the national telephone company, was under way. As a sign of approval for the new policies, the IMF granted a \$1,100 million dollar loan to the government in this year. In this first wave of privatizations, Argentinean Airways, the gas and oil public companies, water and electricity provision, the railways, and others services, were privatized. Throughout the 1990s, almost 300 companies and services were transferred from the public to private sector (De Val, 2006). But even after these reforms, inflation by February 1990 hit a peak of 1,300 percent, causing over 200 looting in Buenos Aires.

Throughout the whole of 1990 it seems that no economic measure was able to decrease inflation, forcing Ernan Gonzalez to resign as Minister of the Economy in early 1991 to be replaced by at the then Foreign Affairs Minister Dr. Domingo Cavallo (Peralta, 2006). Cavallo, an orthodox Harvard educated economist, was known already by the economic establishment as he was the President of the Central Bank when the external debt of 30 economic groups and 106 TNCs were nationalized in 1982 under the military government (Besualdo, 2006; Romero, 2006).



His first measure as the new Minister of the Economy was to restructure the public banking system by privatizing the loans pool of the Central Bank by means of an auction of corporate loans among private banks. From this moment onwards, big corporate lenders would be obliged to acquire credit from private banks, while public banks would lend money exclusively to small and family business. After this, he reduced by 10 percent import tariffs, eliminated export duties and announced the Convertibility Plan as the strategic policy to decrease inflation (Peralta, 2007; Basualdo, 2006). The plan established a fixed one-to-one parity of the peso with the U.S. dollar and the government assumed the commitment of backing one hundred percent of the monetary base of pesos with reserves in dollars. Following the currency peg with the decree 2284, the overall de-regulation of most economic activities still regulated by the state was authorized. Price ceilings in previously protected areas as, transport, utilities or medications, were abolished; international trade was completely liberalized; import/export quotas were eliminated and international trade regulatory bodies such as, *The National Board of Grains*, *The National Board of Meat*, *The Directory of Sugar*, *Fish Marketing Corporation* and *Meat Production Corporation*, were brought to an end (Ibid, 2007).

The instauration of the convertibility plan had solid results in stabilising prices. Inflation went down from a 2,315 percent in 1990, to 172 percent average during 1991, to 24 percent during 1992 and reaching a stable 4.1 percent in 1994. The end of hyperinflation immediately reactivated the economy which reached a 10 percent GDP growth rate in 1991, 9.5 percent in 1992, 5.7 percent in 1993 and 7.5 percent in 1994 (Baer, Elosegui, Gallo, 2002). Even fiscal deficit decreased (although mostly because of the revenues generated from privatizations) from 2.7 percent in 1990 to a budget surplus of 0.9 percent in 1993 (Ibid, 2002). This apparent success of market oriented reforms, consolidated the political consent around the hypothesis of the evil 'interventionist state' and provided to IFIs a success story to promote its recommendations across the continent.

In December 1994 the 'Tequila Effect' exposed the vulnerability of the economic model, when in 1995 capital flights increased by 6.3 billion dollars (Gambia, 2002). This year GDP growth was -5.1 percent, a 12.5 percentage points contraction from 1994. The unemployment rate reached 17 percent this year in comparison with the 6.5 percent unemployment rate the economy enjoyed at the beginning of the convertibility (Baer, Elosegui, Gallo, 2002). By 1996, the deficit and the increasing external debt were impossible to hide. In five years the external debt had grown by 49.3 billion dollars, reaching 116.6 billion in 1996 and in that year the primary deficit was of 2.2 percent (Basualdo, 2006). These problems reflected the very limits of the convertibility, since the Argentine state was forced to acquire external debt in order to sustain the peso/dollar parity in circumstances of permanent commercial deficit resulting from an overvalued currency and a fully liberalized economy (Chart 3.1). This year, the servicing of debt represented 19.2 percent of exports, and by the year 2000 it was equivalent to 40.6 percent (Ibid, 2006). A chronic commercial deficit, a mounting debt service bill with a currency peg to maintain, transformed the Argentine economy into one facing a permanent current account deficit, which by 1998 was equivalent to 4.8 percent of the GDP. This in turn, made Argentina even more

reliant of external loans (Chart 3.2). In 1989 when Menem assumed the presidency, industrial output represented 30.9 percent of GDP. In 1998 when the South East Asian crisis hit Argentina, the industrial output was equivalent to only 17 percent of GDP and industrial employment had shrunk from a total of 1.1 million industrial workers in 1991 to less than 760 thousand in 2000, a clear indication of the effects of liberalization (Cooney,2007). This same year, 26.7 of the population was below the poverty line and it was estimated that 8 percent of Argentineans were not capable of covering their basic dietary needs in a country that produced 12 times more food than its population can consume (Besualdo,2006).

Throughout the 1990s, financial speculative activities had an important weight within the Argentine economy (Gambia, 2002). Free access to international credit at lower interest rates than local rates degenerated into speculative practices in which international loans were acquired by companies to be invested in Argentina's stock markets. In 1991, the non-financial private sector was accountable for 5.7 percent of the external obligations, by 1999 its share increased to 25 percent and in absolute terms its external loans increased by 1,000 percent(Ibid,2002). For instance, Cargill's Argentine branch during the 1990s had a department that was specialized exclusively in managing financial investments in the country (Kneen,2002). Over this period Argentina became one of Wall Street's darling emerging markets to the extent that by 1998 30.1 percent of all investments in one index, the J.P. Morgan Emerging-Markets Bond Index-Plus, were Argentina bonds (Blustein,2005). The IMF on the other hand had, until this moment, it offered an unconditional support to the Argentine government, to the extent that Carlos Menem was only the second head of state in the history of the IMF to address to the general assembly of this organization in 1998 (Ibid,2005).

The pledge of convertibility and the role of market oriented reforms in bringing a long lasting economic stability started to be questioned. Since its inception the De la Rúa government was confronted with a possible default. In 1999, the Argentine economy shrank by 7 percentage points, the unemployment rate reached 15 percent and the public deficit rose to 10 billion dollars (Peralta, 2006). In January 2000, De la Rúa's government announced their first set of economic policies, an adjustment package that entailed increases in taxes on earnings and VAT, a labour contract reform in line with the recommendations of the IMF, and the liberalization of trade unions Obras Sociales (Romero, 2006). One month later De la Rúa faced the first social explosion in the province of Corrientes when 50,000 public employees took to the streets in violent demonstrations.

In March the Central de Trabajadores Argentinos (CTA) and the Central General del Trabajo (CGT) of Hugo Moyano called for a general strike in protest at the proposed labour reform, this being the first of the four general strikes that De la Rúa faced in his first year in office. By the end of 2000, even the 'middles classes' were starting to feel the hardship of the crisis. Self-employed professional incomes declined by 27.6 percent between 1998 and 2000 and small entrepreneurial revenues shrank by 32.8 percent over the same period (INDEC, 2000). In early 2001 economic recovery was still elusive and Machinea was replaced by López Murphy as minister of the economy and he tried to tighten austerity policies even more. The response from trade unions was to call for the fifth general strike during the 15 months of De la Rúa's government, an action which forced López` Murphy to relinquish his position and for Domingo Cavallo to take over as minister of the economy.

Cavallo's most important policy during this period was to propose the creation of a 'currency basket.' This would, in addition to using the dollar as a benchmark currency to support the value of the peso, also include the Euro as an option to support the value of the peso (Romero, 2006). Given the lower value of the European currency, the policy was seen by many as an implicit devaluation. In response, the banking and financial sectors, privatized companies, and TNCs, asked for the full dollarization of the economy in order to attract FDIs, while national industrial and agricultural exporters supported the 'currency basket' as a way to promote an export oriented recovery (Besualdo, 2006; Peralta, 2006). Up until this moment, all these economic sectors strongly supported the convertibility, but the tensions aroused from debating this policy reflected the internal class conflicts of the ruling class alliance. The conflict involving the most important actors in the economy did not allow the approval of either the dollarization or the currency basket proposals. However, alongside social unrest, this split in the economic establishment was also a sign of a fragmentation in the neo-liberal hegemonic alliance. In 2001, industrial conflicts by trade unions spiked to 980, including three general strikes. The piqueteros' organizations consolidated themselves as a major social force representing unemployed workers and, in August, called for a national campaign of road blocks for 72 hours (Romero, 2006).

In September, the CTA called for a general strike against the 'zero deficit' programme. Meanwhile, the resignation of the vice-president Carlos Álvarez, following accusations against government officials of bribing MPs, triggered an institutional crisis that in turn provoked a run on the banks. This meant private deposits fell a billion dollars in a month and international reserves fell by 1.4 billion. This increased Argentina's risk country index by 325 points and spiked lending rates from 8 percent to 25 percent (Peralta, 2006). Between October and November 3.5 billion left the economy and an additional 2.7 billion dollar run during late November basically sealed the future of convertibility. Throughout the year 2001 capital flights were of 33.7 billion dollars, from which TNCs were accountable for 63.3 percent (Besualdo, 2006). Face with an insolvent economy, the government limited cash withdrawals to \$250 dollars a week for all citizens regardless of needs or amount of available savings.

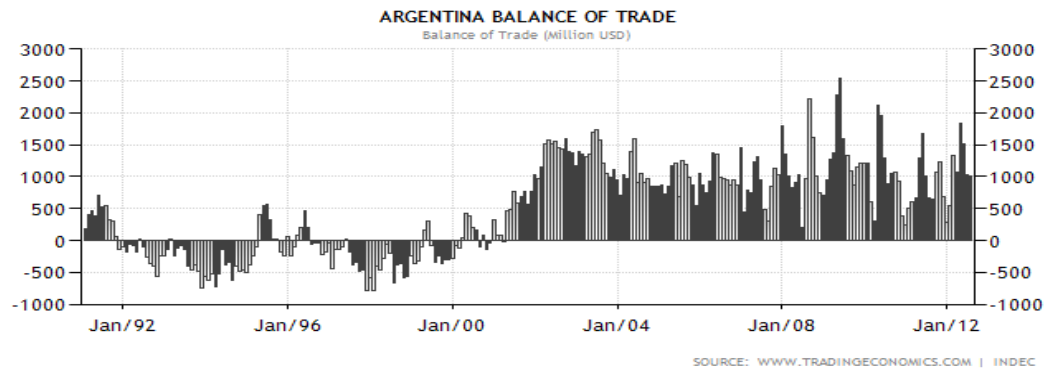
This generated over 1,000 lootings in Buenos Aires alone and even business associations such as FEDECAMARAS (which brings together small retailers) called on the public to take to the streets in protest so as to defend their personal savings. From the 12th of December, Buenos Aires' streets were filled with a constant state of social protest, ending one week later in a popular insurrection. On the 19th of December, middle class sectors of Buenos Aires were protesting in the Plaza de Mayo, when Piquetero organizations, trade unions, students, the poor and even small business owners, gathered spontaneously in Casa Rosada demanding De la Rúa and Cavallo's resignation under the slogan: 'Que se vayan todos' (Romero, 2006). Historian Luis Alberto Romero, as an eye witness to the events, stated in his book that: 'it looks like in any moment the people will storm the Casa Rosada' (Ibid, 2006). On the 20th of December Fernando De la Rúa, resigned as the president of the republic and was replaced by Adolfo Rodríguez Saá. In the 7 days he held the presidential mandate, Rodríguez Saá defaulted on the 148 billion dollars of Argentina's external debt and, in quick succession, three presidents following him were removed from office through popular unrest. It was on the 1st of January when Eduardo Duhalde assumed the presidency. Eduardo Duhalde, the defeated presidential candidate in the 1999 elections, had by mid-January made public the end of the convertibility and declared that savers who had made deposits in dollars would receive dollars on a 1 to 1 basis to defuse social protests (Ibid, 2006).

It was in this context of the total collapse of the neo-liberal project in Argentina, that Nestor Kirchner came to office in 2003. This was an historical moment in which poverty rates were at 54.3 percent, unemployment at 21.5 percent, real wages were contracting, industrial output was declining, there was chronic current account, and commercial deficits, and there was a permanent monitoring of economic policy by the IMF. In this way the Kirchnerist post-neoliberal restructuring represented a break with finance and privatization-led accumulation, as well as the end to the lack of economic policy space and the contracting purchasing power of labour which had been dominant during the 1990s. The effects of the neo-liberal governance and the 2001 crisis also shaped Kirchnerism as part of the 'national popular' tradition, which is associated with Peronism in Argentina (Svampa, 2010). Something of particular note about Kirchnerism as part of this tradition is that it has, since inception, represented a transversal social alliance that incorporated the social sectors most affected by the market oriented reforms of previous decades and the social movements that had a privileged role during the 2001 popular mobilizations (Bayanovsky, 2010). The recuperation of the narrative of 1970s style militancy by Kirchnerism was mostly based on principles of social redistribution, nationalism, Latin American integration and political activism. It also involved the incorporation of key social movements' leaders into government, and dramatically increased the importance of Piquetero organizations (for instance: Movimiento Evita, Libres del Sur, Frente Transversal, Central de Movimientos Sociales) which became an essential part of the emerging post-neoliberal project (Ibid, 2010).

In a similar way, a policy of 'neo-corporativism' (Wylde, 2010) with trade unions facilitated the incorporation of the most important sectors of the trade union movement into the Kirchnerist project. Kirchner's government, as a mediator between labour and capital, facilitated the agreement of over 2,100 collective bargaining contracts between 2003 and 2006 (Chart 3.10). The government's human rights policy, and symbolic acts such as the removal of Videla's picture from the Military Academy, also made Kirchnerism attractive to important sectors of the traditional 'Left' and both intellectual and academic circles (Kohen, 2010).

From this perspective, Kirchnerism departed from classic Peronism by breaking with the 'top down' relation with trade-unions. It did this by including in the project's alliance certain social movements such as organizations of unemployed workers (Piqueteros), by simultaneously sustaining a sharp distance from military sectors and also by being a defender of human rights. It also lacked the economic base of classic Peronism, in relation to the sectors associated with the national industrial bourgeoisie. This last point has led some authors to argue that Kirchner's idea was of a project with a 'imaginary national bourgeois' that did not in reality exist anymore (Katz, 2008b). In addition, as this chapter shows, the macro-economics of Kirchnerism is export-oriented, rather than ISI-oriented; it embraces a flexible industrial policy instead of a planned one, and provides to some extent universally oriented social policies, rather than a traditional corporatist sector oriented social policy as was the case under Perón.

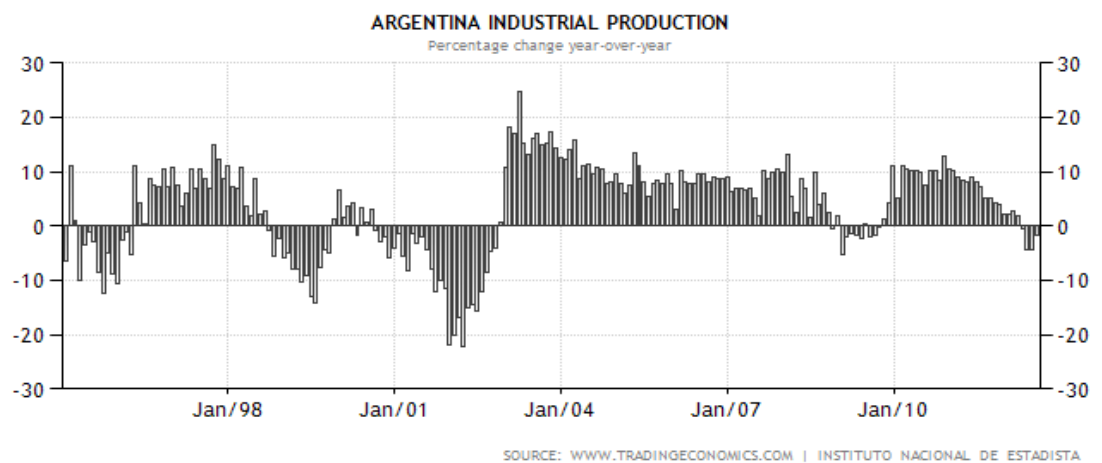
On the other hand, this project preserves important traits of classic Peronism such as: a 'leader' centred approach to politics; a top down command structure; ideas of national development; social redistribution and Latin American integration, and a confrontational approximation to politics against the 'enemies' of the 'national popular project' (Svampa, 2010). From this perspective, beyond the similarities with classic Peronism, the rise of Kirchnerism was essentially the by-product of a crisis of neoliberalism and the 2001 financial crisis, which makes this post-neoliberal project a product of the crisis of the neoliberal organization of capitalism, rather than a continuation of traditional versions of the 'national popular' Peronism.



3.1 Source: Trading Economics on the bases of data provided by INDEC (Facts corroborated by the Author at INDEC's Data base)



3.2.2 Source: Trading Economics on the bases of data provided by INDEC (Facts corroborated by the Author at INDEC's Data base)



3.3 Source: Trading Economics on the bases of data provided by INDEC (Facts corroborated by the Author at INDEC's Data base)

*The Economic Governance of the Post-Neoliberal Restructuring*

The principal policy instrument of the new-macro-economic governance is the Competitive Exchange Rate (CER) which is a monetary policy centred on sustaining the value of the U.S. dollar at a higher value than the Argentine peso to give a competitive advantage to local production at international and internal markets. Even if the 'high dollar' in the beginning was the outcome of the post-convertibility devaluation, the merit of the current government has been to make it an organic macro-economic policy that is at the centre of the new economic model (CENDA, 2010). The CER has worked as an instrument of exports promotion and import substitution industrialization (ISI) that has managed to place once again the 'real economy' at the core of capital accumulation process in Argentina. In 2009, material goods production represented 37.5 percent of the GDP in comparison with the 30 percent average during the convertibility (Mira and Herrero, 2010) (Chart 3.5). This shift made services and financial activities which, during the convertibility represented 70 percent of the GDP, decline to 62.5 percent in a time frame of only 8 years and, more importantly, for the first time in decades, industrial production was undergoing expansion accounting in 2009 for over 50 percent of the productive activities in the economy.

Between 2002 and 2008, industrial output has increased to an average of 11 percent, in comparison with the mere 1 percent average during convertibility (CENDA, 2010). The CER as an instrument of price structure manipulation, has made local productive activities more competitive in global markets and given local producers oriented towards the national market a competitive advantage against imported goods (Ibid,2010). Internal private consumption was augmented to 98 percent between 2003 and 2007, pushed by this expansion to locally oriented production (Chart 3.6). The current economic growth policy is mainly oriented towards the productive economy, instead of in unproductive activities as was the case during the neoliberal period (Basualdo,2006;Peralta,2006). Even before Nestor Kirchner's election in 2002 he was already making clear that his economic policy was going to be centred on a rupture with the previous growth pattern:

'I believe we need to have national and industrial policies that contribute to Argentina's reborn. We have to envisage a 'national project' or the process is going to get deeper, not anymore of economic crisis, but of national decadence. The state should re-take the control of macro-economic instruments and foster a model base in production and employment' (Di Tella and Kirchner; 2002)

An important shift generated by the introduction of the CER has been Argentina's re-integration into global markets. Ever since 2002, Argentina's have enjoyed a positive balance of trade that averaged a 12 billion dollars (char 3.1) This has transformed the country from being a net importer throughout the 1990s to becoming a net exporter. In addition to Argentina's monetary policy, two important factors that had encouraged this positive re-insertion into global commerce has been the significant growth in demand of the BRICS (specially Brazil and China) and the favourable terms of trade enjoyed by Argentine commodity exports (Grugel,2006). These factors have prompted an important adjustment in Argentina's economy, since presently a greater share of locally produced commodities are realized at international markets, rather than larger shares of globally produced commodities being realized in Argentinean internal markets as was the case under the convertibility.

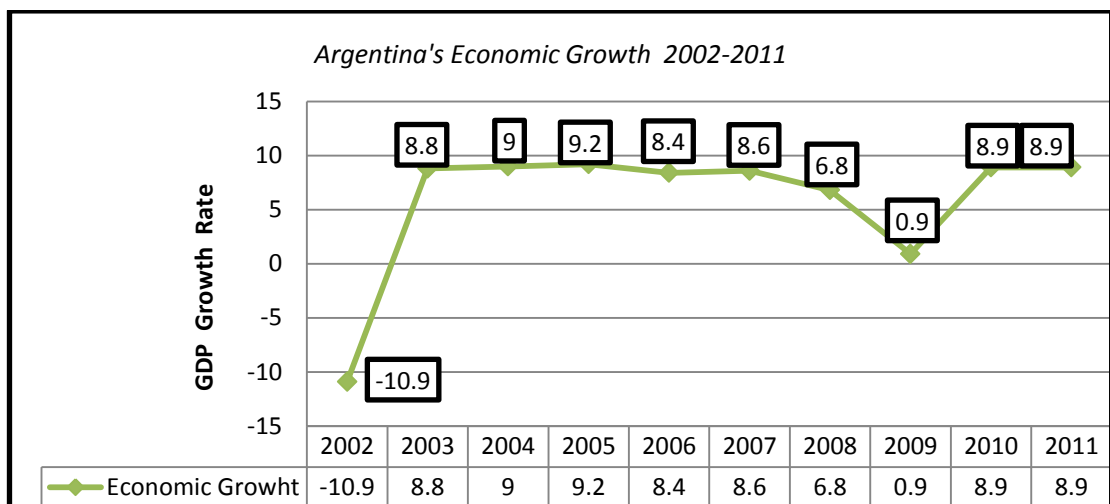


Chart 3.4. Source: World Bank;2012

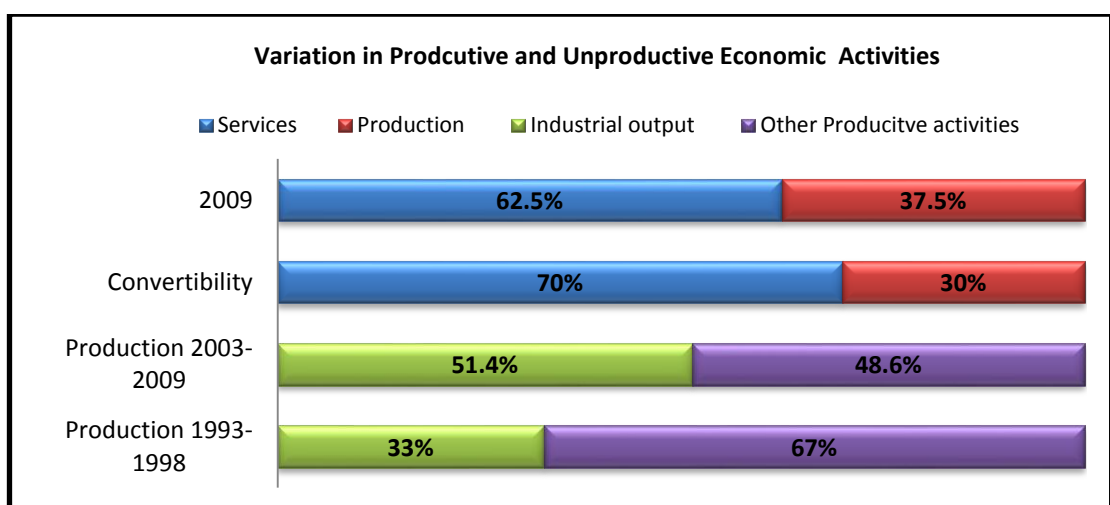


Chart 3.5: Source: Ministry of the Economy; *Economic Indicators*,2010



An additional result of the new trade promotion scheme is that exports are playing a major role in financing the government. Since 2002, export taxes were re-introduced in Argentina and on average have represented more than 12 percent of the budget since then (CENDA,2010) (Peralta, 2006). In contrast with the preceding decades after 2003, the country's public budget is averaging a 3.3 percent budget surplus in conditions of increasing expenditure. (CENDA, 2010). In 2008, public expenditure increases were equivalent to 19 percent of GDP (*Ibid*, 2010). The improvement of the public finances was also possible due to the external debt reduction policy embraced by Nestor Kirchner and later by Cristina Fernandez. In 2006, Nestor Kirchner's government cancelled close to \$10 billion dollars in outstanding debt with the IMF (Hornbeck,2004). This policy allowed the government to decrease its external obligation ratio to GDP from 152 percent of GDP in 2001 to 42 percent in 2010 which released public funds and improved considerably the fiscal situation (*Economic Indicators*,2010).

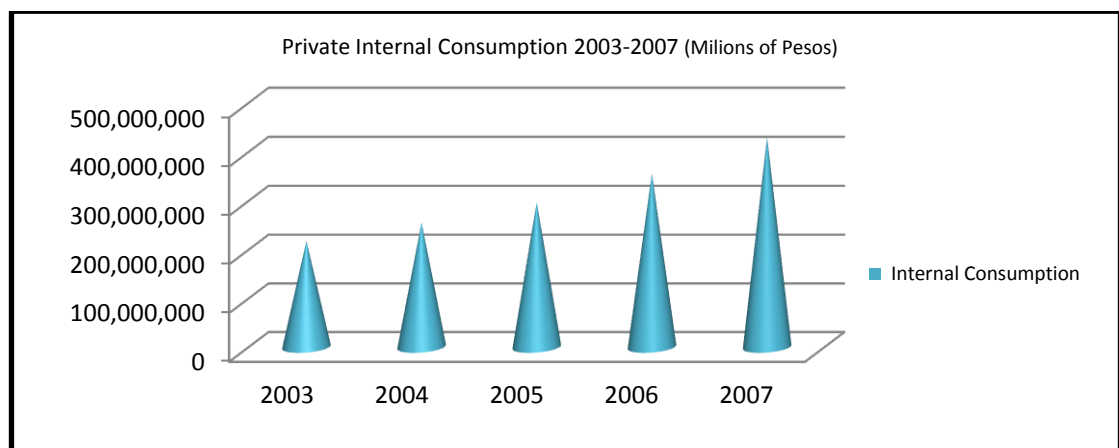


Chart 3.6: Source: *Consumo Interno Privado*; INDEC;2008

The debt reduction policy was possible to a great extent due to the fact that since the instauration of the CER government it had amassed an important quantity of international reserves. Argentina has passed from being dependent from IMF loans to finance the convertibility to being the country with the fourth higher reserves in Latin America (IMF,2011). The \$50 billion in international reserves deposited in the Central Bank not only provides the economic policy with autonomy and stability, but as well epitomized the structure of the new macro-economy that made possible the sustainability of the CER. The main instruments used by the Argentine government to sustain an overvalued dollar have been: financial sterilizations, retentions (export taxes) and low interest rates (CENDA, 2010). Financial sterilizations are possible because the Central Bank buys dollar surpluses in local currency markets with Argentine pesos in order to decrease the supply of dollars (increasing its value) and increasing pesos supply (decreasing its value) and through this transaction it accumulates the dollars that develop into international reserves (*Ibid*,2010).

With the second tool by taxing exports the government stopped the enormous inflow of dollars that trade expansion would generate, avoiding a ‘Dutch Disease’ effect and, in addition, by improving the fiscal position it allowed the government to have extra funds in order to sterilize dollars surpluses which, between 2003 and 2008, cost the public 48.8 billion dollars (Damill and Frenkel, 2009). In the third instrument the government, by keeping the interest rates low, blocked the inflow of international speculative capitals that would overvalue the value of the peso as has been happening in Brazil with the Real (CENDA, 2010). The fact that the CER is the central macro-economic policy of the new post-neoliberal political economy illustrates the structure of the post-neoliberal macro-economic governance. CER is used as a facilitator of trade surpluses which generate the exports tax revenues that fund public spending and social policies and the entry of foreign exchange that sponsors industrial policy. This is tied to the financial sterilizations that make reserves accumulation viable and, therefore, the reduction of the external debt. This reveals how the inter-linkages of these policies represent the macro-economic governance of the political economy of post-neoliberalism (chart 3.7)

### *The Post-Neoliberal Macro-Economic Governance*

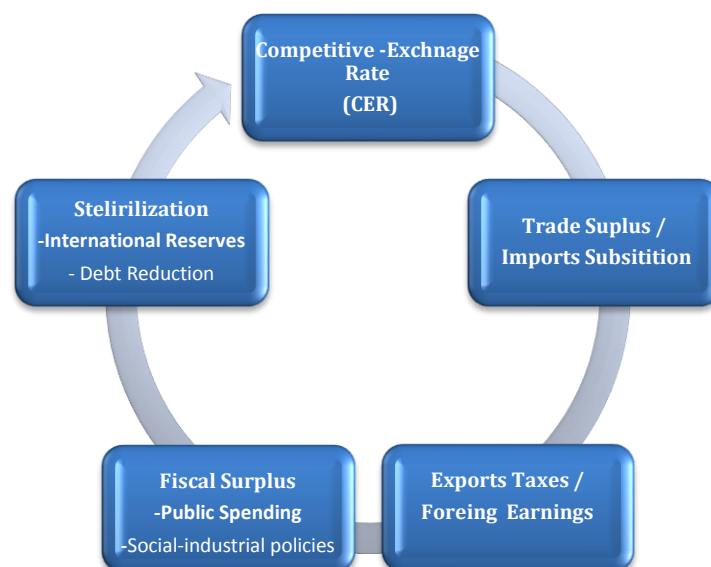


Chart 3.7: Prepared by the author

The clear state interventionist guise of the new political economy, shows that the aim instead of ‘economic growth’ as was the case during neoliberal period is, rather, to advance national ‘economic development’ in the context of a globalized world (Gerchunoff and Aguirre, 2004). In the area of international trade the Non-automatic Import License are a paramount example of initiatives that aim to regulate markets in order to enhance national production.

The non-automatic import licenses are a mechanism authorized by the WTO that provide the instruments to governments to regulate trade flows among trading partners and to restrict or delay the imports of particular products (Ministry of Industry, 2011). Argentina's government has used this mechanism as a measure to restrain imports of industrial goods in labour intensive sectors, continually increasing the non-automatic import licenses from 178 products in 2008 to 589 products in 2010 (European Commission, 2011). By May 2010, the imports of French cheeses, Italian ham and Brazilian corn were banned and cargoes of beer imported from Holland and Mexico, pasta from Italy, canned pineapple from Indonesia, bell peppers from Peru and candies from Brazil faced delays in entering the country. In 2010, Argentina's imports restrictions, forced China to stop buying Argentinean soybean oil in retaliation for restrictions in shoe imports from China, proving the effectiveness of the measure (Carrillo, 2010c). Other important market regulation measure included the re-introduction of price controls in wage goods. Probably the most important price ceiling was the one imposed on wheat and meat prices in 2007 and the further total ban of exports of meat in 2008, as a response to the increases in international prices. On this issue Kirchner himself in 2007 called upon the Argentine public to boycott supermarket chains that didn't respect price ceilings (Ortiz, 2010). The gradual and sustained increase in export taxes since 2003 was another signal of the government's determination of intervening in the private sector. Under Kirchnerism, the tax burden on the main grain and by-products export products had a growth of around 42 percent (Fairfield, 2011) which shows that the government was not holding back in its objective of maintaining the current development strategy.

A last set of policies, if far less extensive, but politically powerful, has been the re-nationalization of former public companies. Even if re-nationalizations are not an essential component of the Kirchnerist programme, re-nationalization of certain corporations gives the public impression of an Argentinean State that is willing to engage in harsh negotiations with foreign capitals and even assume the responsibility for providing the services again if this is needed. In the particular cases of Argentinean Airlines, the Water Company, and Belgrano Railways this was pretty much the message (Chavez, 2007). In the individual case of National Pension Fund nationalization this represented a genuine challenge to global financial capital, and, as was showed in the aftermath, it was part of the government's strategy of increasing its economic resources (CENDA, 2010). In the same way the recent nationalization of REPSOL-YPF represented a confrontation with foreign capitals and the will of the government to assume difficult policy decisions in order to assure the current economic model.

A very important aspect to consider in the recent economic recovery is the role that internal aggregate demand is playing in the economic activity. Between 2003 and 2010, Argentina's GDP grew by 79 percent, and it has been aggregate demand (private consumption 50.7 percent, private investment 21 percent and public investment 8 percent that has generated the expansion (*Economic Indicators, M.E.*) During the same period, real wages increased by 40 percent (CENDA, 2010), the minimum wage by 200 percent (Lunkin, 2012). While unemployment decreased from 25 to 7.2 percent in 2010 (CENDA, 2010). An important factor about this shift is that the internal market is playing a vital role in the current growth strategy. As was previously mentioned, the internal private consumption increased by 98 percent in the first four years of Kirchnerism (Chart 2.6) with the local companies substituting imports, as is the case for instance with the shoe manufacturing industry which has doubled its output since 2003 displacing China in this economic niche (Azpiazu and Schor, 2010). Following the devaluation, these sectors benefited from lower labour costs in comparison to investments in fixed capital while currently the 'high dollar' economy made certain imports more expensive than locally produced goods (Gerchunoff and Aguirre, 2004). This had contributed to investment rates reaching 24.6 percent of the GDP in 2010, higher than through the privatizations period in 1993-1995 (CENDA, 2010). Another important aspect, is that internal investments were 23 percent of GDP in 2010 (*Economic Indicators, M.E.*) in comparison with 15.8 percent in 2001 and the 20 percent reached at the peak of convertibility (Basualdo, 2006). Increases in remunerations, the re-activation of the real economy, along with the renewed and expanding power of trade unions, had located aggregate demand at the centre of capital accumulation under the post-neoliberal model, and a break with the policy of declining wages and financial activities hegemonic during the 1990s.

The new macro-economic governance certainly reflects a new organization of capitalism in Argentina - in which industrial GDP growth; ISI initiatives; market regulations; external debt reduction; fiscal and commercial surpluses; international reserves; and a developmental policy from the state based on state led development - which presents a different capitalism from the one dominant in the country since 1976. If we follow the criteria established by Sader - in which post-neoliberalism is based on the opposition to deregulation, to financilization, to free trade and to the weakening of labour relations - Kirchnerism no doubts will fit into this category (Sader, 2009). But the essential issue is that this new political economy represents a rupture with the organization of neoliberal capitalism in Argentina that embodies a post-neoliberal restructuring of the economy. This restructuring has once again offered traditional economic sectors such as industry and agriculture, a predominant role in the economy. This aspect is, an important indication of the trends that are emerging from the new post-neoliberal macro-economic governance.

## *Industry and Agriculture after Neo-liberalism*

### *Industrial sector:*

An important contribution of Argentina's progressive government has been the reincorporation into public debates the need for industrialization in order to achieve development. After decades of an enduring industrial decline, Nestor Kirchner and Cristina Fernandez made industrial growth and industrial labour an essential component of the progressive project. Industrial growth as measured in volume of sales increased by 280 percent between 2006 and 2011 (Chart 3.8) and between 2003 and 2009, the industrial GDP growth of 11 percent contrasted with 6 percent growth rate of services and 8 percent of national GDP (CENDA, 2010). Installed capacity increased by 37.1 percent in the space of three years between 2008 and 2010; industrial employment increased by 23.5 percent between 2003 and 2010 (chart3.9) at an annual rate of 7.5 percent in contrast to the -1.3 percent during the 1990s and the -2.1 percent during the military government (CIFRA, 2010). In 2009, industrial commodities were accountable for 51.4 percent of the productive economy in contrast with the 33 percent average during the convertibility (*M.I<sup>l</sup> 2009*). In 2001 industry it was accountable for 9 percent of GDP, but by 2011, industrial output represented 18.4 percent of GDP (Industrial plan 2020, 2010).

Fixed capital formation as a share of GDP by the end of the convertibility was 12 percent of GDP, and by 2007 this figure was 24 percent of GDP (Chart; 2.9). What this shows is that away from the government's developmental rhetoric, industry has been one of the main drivers of economic growth over this period of expansion. The merit of Kirchnerism in terms of industrial expansion is to be found in the fact that for first time in decades the public has embraced an industrial policy that, even if it was not as extensive as during the ISI period it has, nevertheless, supplemented the CER and the non-automatic imports licenses in reinforcing industrial production. In line with his aim of re-activating the productive economy, in 2004 Nestor Kirchner's government approved the Capital Goods and Infrastructure Investment Law (and extended this until September 2010) which granted one billion Argentine pesos in tax credits to large corporations for investments in industrial equipment and infrastructure, and up to 200 million pesos to Small and Medium industrial businesses. In addition, this industrial scheme conferred a 100 percent refund of the VAT taxes paid by corporations in capital goods investments.

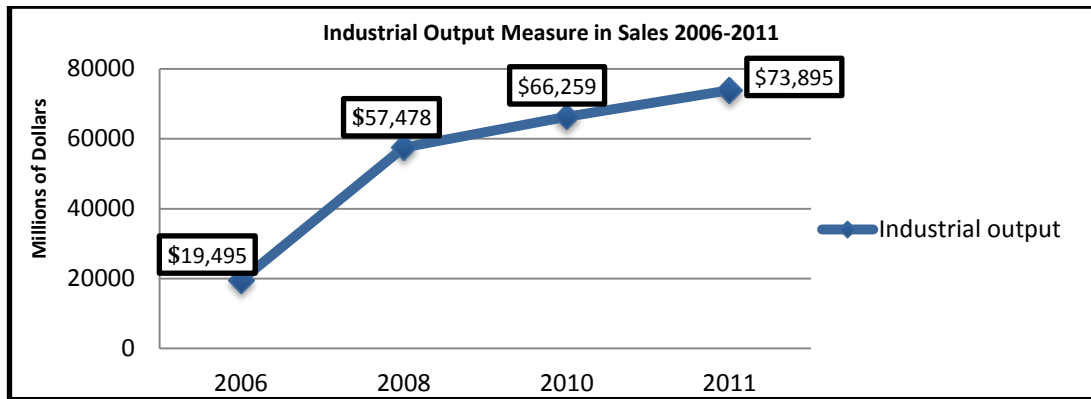


Chart 3.8; Source: INDEC, *Cuentas nacionales*; 2011 (calculated in dollars by the author)

*Fixed capital formation in Argentina as a share of GDP, 1971 to 2007*

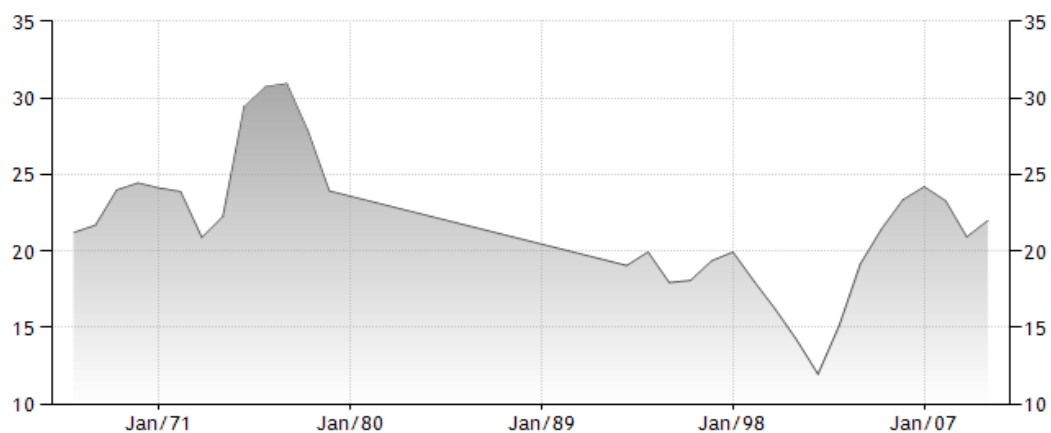


Chart 3.9 Source: World Bank;2008

Under this industrial scheme, over 10 billion pesos were disbursed up to 2010, and it is estimated that this policy has subsidized the creation of at least 7,800 new industrial jobs and benefited 93 large companies over the period (Azpiazu and Schor, 2010). In line with its class project Kirchnerism had put a great emphasis on the creation and support of Small and Medium industrial companies (PYMES). SePYMES, for example, is a matrix programme which provides small and medium companies with soft credits at 9 percent rate with possibility of a 4 percent discount which, considering that the inflation rate is above 9 percent, these loans in practice are at negative interest rates. Other soft credit plan offer subsidized loans which grant a 3.5 percent discount in the prevailing market rate for investments in capital goods and infrastructure and additionally, in terms of fiscal support, the government offers a 100 percent tax credit in all investments in training and professional development (SePymes; 2011). Some other more targeted schemes for PYMES have included the software programme.

This is designed to promote software and IT local business. It provides a 70 percent exemption in employee's pension contributions and an additional 60 percent tax credit upon earnings taxes. The outcome of this programme has been that the software industry has doubled its production and labour force since 2004 and 89 percent of beneficiaries are Argentinean small and medium business (*M.I 2011*)

Under these schemes is estimated that over 23,000 new industrial PYMES had been created up until 2010 (Carrillo,2010). Small/medium industrial firms increased their sales by 73 percent, its workforce by 43 percent and its fix capital investments in 55 percent up until 2006 (Donato-Vicentel, 2007). In 2008 it was estimated, that small and medium factories were accountable for 23 percent of industrial GDP and employed 43 percent of industrial labour force (*M.I 2011*). In a labour intensive sector, that is fully oriented towards the internal market, the shoe and the textile industries have benefited the most, nearly doubling its output (98 percent growth) between 2003 and 2007 (Azpiazu and Schor, 2010). However, the most important driver of industrial growth has been automobile manufacturing, that has increased its output by an outstanding 232 percent from 2004 and 2008 (Indec,2010). In 2010 a record production high of 716, 540 vehicles were manufactured in Argentina, with 84.5 percent of them exported to Brazil (Zaiat,2010). An important issue, is that the Argentine exporting matrix has not changed with industrial growth. By 2007, Manufactures of Agricultural Origins (MOA) represented 34.2 percent of exports and Manufactures of Industrial Origin (MOI) 30.9 percent. A decade before, in 1997, the figures were 34.4 percent MOA and 31.5 MOI, reflecting that even if this growth is respectable, it is reflection of how the expansion of the industrial structure settled during the 1990s (INDEC, 2011). In early 2011, the government made public the Strategic Industrial Plan 2020 which aimed to double industrial GDP by the year 2020 and, in order to support this effort, the Bicentenary Fund was created. This is an 8 billion Argentine pesos (2.3 billion dollars) fund, destined to award subsidized credit for industrial investments (Lukin,2010).

#### *The Agricultural Sector:*

The conclusion of the convertibility regime gave the agrarian economy a new impulse. Production of grains increased from 69.2 million tons in 2001 to 93.3 million in 2008. And profit rates per hectare rose between 2002 and 2008 from 230 dollars average per hectare during the convertibility to 283 dollars (CIFRA,2010). The 2002 devaluation has had an important role in this expansion since it represented an important cost reduction and transformed into pesos the dollar/peso denominated debts acquired in the 1990s by the agrarian sectors, liberating massive amount of invested funds. Land use increased from 26.3 million hectares in 2001 to 32.6 million in 2008, placing the countryside once more in the position of being an important player in the Argentine economy (Ibid,2010). Favourable terms of trade

had a key role as well, boosting corn production by 62 percent, wheat by 29 percent and soybeans by a striking 172 percent between 2004 and 2008 (CENDA, 2010). A vital aspect of the agrarian production has been that even if it is only responsible for 7.5 percent of the GDP it is the economic sector that provides the raw material that keep some of the most dynamic industries in the country going. In 2008, manufactured goods of agricultural origin generated 57.5 percent of exports, 650 thousands industrial jobs and was accountable for over one third of GDP (CIFRA, 2010). The other major role it has played is in contributing taxes to the public treasury, since the three main taxed exports in the country (soy pellets 32 percent, soy oil 32 percent and soybeans 35 percent) paid almost one third of its production into the treasury.

In March 2008, the government made public its intention of raising export taxes once more. The 125 resolution proposed the establishment of a floating tax rate that would depend on international prices. In the proposed tax system, duty rates would depend on international prices, ascending in some cases to up to 48.7 percent (Ortiz, 2010). The Argentinean Rural Society (SRA) responded fiercely to the 125 resolution. It argued that export taxes were an emergency measure introduced in 2002 and that once economic stability had being achieved export duties should be totally abolished as during the convertibility (Ibid, 2010). The government's objective was to seize a greater share of the 'differential agrarian rent' generated by prices hikes between 2007 and 2008. For example, the proposed floating export duty would raise from 20 percent to 36 percent corn export taxes, in soybeans from 35 percent to up to 48.7 percent and in soy by-products from 32.5 percent to 44.5 percent (CONINAGRO, 2010). The producers' reactions were so radical that it was described by most as a 'truly agrarian rebellion' (Barsky and Davila, 2008). In March the first national protests against the 125 resolution took place and these consisted of organized roadblocks at over 70 localities around the country (Ortiz, 2010). The violent response of agricultural producers to the 125 resolution, was the result of the fact that in Argentina all export taxes are paid by producers and not by exporters (Ferrari and Martinez, 2008). Hence the demand side agent (exporter and industrialist) buys grain at the price established by Rosario's Cereal Stock Exchange minus the rate of export taxes they have to pay to the treasury when they take the products out of the country. Combined with the fact that in Argentina up until now, the whole agrarian economy is mostly run on the basis of payments in kind which is used as a mechanism to maximize incomes by speculating with prices. In this way, the 125 resolution was not just upsetting the large land owners of the SRA but practically every sector involved in the rural economy which ranged from the businesses who sell the fertilizers or seeds to the ones who rent agricultural equipment or the small producer.



The political resistance was organized in the 'Mesa de Enlace' a social rural front under the leadership of the SRA which gathered *Confederaciones Agrarias Argentinas* (CRA), *Coninagro* (the cooperative sector), *Federacion Agraria Argentina* (FAA) and dozens of smaller rural organizations. In early May the 'Mesa de Enlace' declared a strike, which for weeks strangled food supplies and exports as a mechanism to exert pressure. Alongside the strike, over 200 protests were organized in the 'Pampa' region through May and over 300 thousand people gathered in Buenos Aires to protest against the 125 resolution (Ortiz;2010). It had been estimated that the strike cost over 3.5 billion dollars in exports to the economy and 1 point of GDP (Fairfield;2011). By May, the government approval rating was 30 percent, when in February it had been 58 percent (Ibid;2011). The conflicts acquired the characteristic of a hegemonic dispute between a block that support state-led and industrial development represented by Kirchnerism and forces gathered around agrarian sectors that endorsed the end of state intervention, a complete incorporation into global markets and a notion of economic development based on embracing competitive advantages(Ibid;2011). Cristina Fernandez de Kirchner from Plaza de Mayo in a counter demonstration against the farmer strike in May defended the idea of a national and re-distributive industrial capitalism:

'I dream of a different bicentenary, with industries working and adding value to products, to keep sustaining the wages and jobs for Argentines. I dream of a country-side that produce more raw materials, but that the value added to those, being added here, in our country, in order to create even more jobs. Those are my dreams'. (In, Ortiz; 2010)

In June, the 125 resolution was voted on and defeated in the congress by one vote. This event represented a huge blow for the government that had engaged in a full confrontation with the SRA and its allies during the 'agrarian rebellion' and had even gone so far as to call these protests 'the roadblocks of plenty'. However, in the 2011 elections Cristina Fernandez won office with 54 percent of the vote with the second political force 20 points behind her and with the former winning in most of the SRA historic strongholds. The agrarian economy under post-neoliberalism has had a strong comeback as one of the most dynamic economic sectors and especially, as a strategic supplier of both raw materials for agro-industrial sectors and public tax revenues as well as the foreign earnings needed for industrial growth.

The 125 resolution conflict, triggered once again in the history of Argentina class struggles among a sector of the national bourgeoisie (represented by Kirchnerism) and rural sectors allied to transnational capitals. The social dimension of the conflict, illustrated how the existing political economy is representing dissimilar class alignments from those dominant since 1976, and this is an indication of the struggles emerging from a different organization of capitalism.

*The Social and Foreign Policy of the 'National Popular' project*

*Social Policy:*

The idea of redistribution and social inclusion has been another of the most significant hegemonic tenets of Kirchnerism. But what is particular to Kirchnerism is that beyond the implementation of social programmes, the social policy had been rooted in a new notion of social reproduction under the new organization of capital accumulation. The idea of building 'national capitalism' for Kirchnerism is rooted in a view of social reproduction in which the growing purchasing power of the general population and the reinforcement of internal demand are the leading growth engines (Di Tella and Kirchner, 2002).

Dissimilar from neoliberal notions of social reproduction, in which labour and social spending are seen as costs (Cox, 1986), for Kirchnerism the expansion of demand, full employment and public spending are essential for reproducing labour in the construction of industrial capitalism (Di Tella and Kirchner, 2002). In line with this the governments moved away from the neoliberal fiscal conservatism, increasing public spending by 400 percent and social spending by 600 percent between 2004 and 2010. (chart 4.12) Public employees' wages by 2010, had improved by 291 percent and public investment growth by 517 percent between 2003 and 2008 (INDEC, 2010). In addition, the government had granted once more a prominent role to organized labour in Argentinean politics engaging in what some have called 'fragmented corporatism' (Wylde, 2010). This means even if trade unions are not integrated to the state as in the traditional corporatism, they have an significant part in the current ruling social alliance (Ibid, 2010) In 2009 (the year of the global recession) a total of 1,331 agreements were reached with trade unions and since 2006, approximately a total of 4,470. This latter figure means that in that period more agreements were reached than throughout the whole of the previous decade (Chart 3.10). In the context of the global downturn in 2009, the Argentinean government spent 60 million pesos to subsidize the wages for 38 thousand workers to avoid massive layoffs (CENDA, 2010). Subsequently, an agreement between the CGT and the *Union de Industriales Argentinos* (UIA) meant that the minimum industrial wage in the industrial sector in 2010 increased from \$1,750 to \$2,300 pesos (Carrillo, 2010f) and, from a more general viewpoint, the medium real wages are estimated to have grown by 44 percent between 2002 and 2009 (Chart 3.11). The minimum wages in Argentina in 2012, had risen to 2,875 pesos (619 dollars) in contrast with the 200 peso/dollar throughout the ten years of the convertibility which represented an increase of 209 percent since 2001 (Lunkin, 2012).

### *Agreements with Trade Unions between 1991 and 2009*

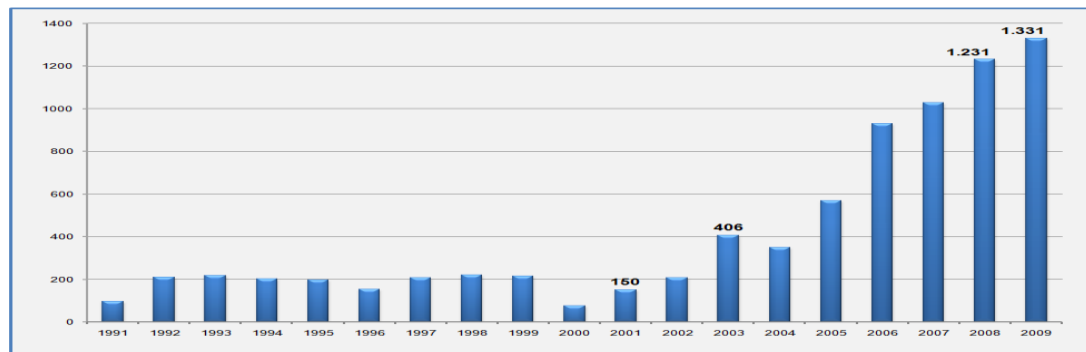


Chart 3.10 Source: Ministerio del Trabajo; Convenios y Acuerdos Homologados (2010)

### *Medium Real wages Index in Argentina: 1985-2009 (Base year=1985)*

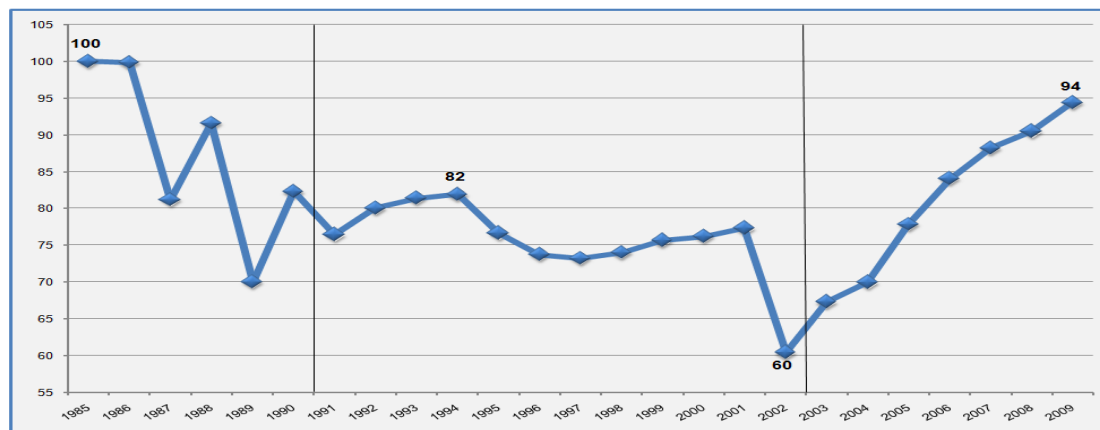


Chart 3.11; Source: Ministerio del Trabajo; (INDEC) y Encuesta de Salarios (Secretaría de Seguridad Social) 2010

Along with the revitalization of purchasing power of labour, Kirchnerism focused its social programmes as well on boosting demand among the more vulnerable through various mechanisms. A strong move in this direction was when the government nationalized \$80,000 million pesos in pension contributions, plus another \$1.2 billion dollars which had been invested in international financial markets by pension funds managers. The *Administradora de Fondos de Jubilaciones y de Pensiones* (AFJP) had been privatized in 1994 at which point the alternative of joining a private pension scheme was offered to workers (CIFRA, 2010). Following its re-nationalization in 2009, employer's contributions rose from 17.5 percent to 23.7 percent and the pension system was operating with a 3 billion dollars surplus, giving long term stability to the pension scheme (CIFRA; 2010). Pensions increased from \$200 pesos in 2003 to \$1,000 pesos by 2010. In addition, over 2 million sub-employed workers that had not contributed in the past began to receive a pension, hence, a monthly allowance was granted to

people with disabilities and to mothers with 7 children or more (M.S.D<sup>2</sup>. 2011). A significant outcome of the nationalization of the AFJP has been that by doing this, the government had the chance of re-structuring its debt. Previous to the default, a total of 78 percent of securities that private pension funds invested was debt sold by the Argentinean government. In this equation, the government was making loans and paying interest from resources that before 1994 were public funds. Under the latest public pension scheme, there is still more than 60 percent of securities investments which are Argentine's government bonds, but now, the government is lending money to its self, minimizing both the private lenders influence and the exposure to financial markets (CIFRA, 2010).

The nationalization of the AFJP provided the state with the fiscal expansion to embrace the main social programme of the government the *Asignación Universal por Hijo*. This programme, rather than targeting the poor, offered a fairly universal social allowance to families. This programme confers a \$180 Argentine pesos monthly allowance per child to the unemployed; sub-employed workers with monthly earnings under \$1,500 pesos; to pregnant mothers; and granted a tax credit for the same amount to workers with monthly incomes below \$4,400 Argentine pesos. In 2010 this social plan covered 9 million beneficiaries (23 percent of the population) and the funds assigned amounted to 0.83 percent of GDP (CIFRA, 2010). With this social plan, the participation of the poorest households or the total income of the poorest households had increased by 70%, dropping poverty rates by 4.1 percent and decreasing the number of persons living in extreme poverty from 6 million to 2.4 million (Ibid; 2010). Other universal policies embraced by the government have been the public transport fares subsidies, that for 2009 used \$9,000 million pesos to subsidise fares in two thirds of subway and bus tariffs (from \$3.30 to \$1.10 pesos) and also the universal subsidies in electricity, water and gas costs which had soared to \$17,900 million pesos by 2009 (Navarro;2010). These subsidies between 2003 and 2010, rose by 1,300 percent and benefited not only workers or the poor, but the whole population, including the business sector (Lonardi and Maella,2011).

Complementing these social policies, the Ministry of Social Development developed a variety of schemes which aimed to create jobs through the social economy. The most important of these programmes was one that granted micro-credits which had conferred 60 thousands credits since 2003. Other programme called, *Ingreso Social con Trabajo*, encouraged the creation of local cooperatives which could undertake government contracts for local public facilities maintenance. Under this programme, the government pays for any technical training required for the completion of the project and offers subsidies for materials. In addition 'Manos a la Obra' provides subsidized credits for equipment, tools and materials for family

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<sup>2</sup> M.S.D/Ministry of Social Development

business, small cooperatives and self-management community ventures. It is estimated by the Ministry of Social Development, that half million citizens had been directly and indirectly impacted by these social economy projects (*M.S.D*<sup>3</sup>. 2011)

### *Post-Neoliberal Social Policy*

| Post-Neoliberal Social Policies                   | Kirchnerist's Socio-Economic Record          |
|---|--|
| Public Expenditure increased by 400%              | • 8% average economic growth 2002-10         |
| Social Expenditure increased by 600%              | • 6.8% of population under poverty line      |
| Fragmented corporativism                          | • 4,460 agreements with trade unions         |
| Universal Subsidies to Utilities and Transport    | • 7.9% of unemployment rate                  |
| Asignación Universal- per child                   | • 2.1 % of population in absolute poverty    |
| Public employees' wages raised in 291%            | • 44% raise in real wages between 2002-09    |
| Pension raised from \$200 pesos to \$ 1,000 pesos | • 10 points contraction in Genie coefficient |
| Social Economy Projects                           | • Had impacted over half million citizens    |

Chart 3.12: Prepared by the author using chapter's data

This different understanding of social reproduction within the existing post-neoliberal organization of capitalism, has managed to reverse the tendency of growing social inequalities triggered throughout the neoliberal phase. This reveals the fact that the Genie Coefficient index dropped by 10 points between 2002 and 2009 (Chart 3.13) and unemployment declined from 21.5 percent in mid-2002 to 7.9 percent by 2010 (Chart 3.14).

As a consequence, the people below the poverty line in Argentine declined from 54.3 percent of the population in 2002, to 9.9 percent in 2010 (Chart 3.15.). These changes in the process of social reproduction reflect how the neoliberal process of accumulation had been overcome in Argentina and replaced by a post-neoliberal capitalism centred on the productive economy and internal demand as it was during post-war American fordism. This does not merely represent a further social democratic vision of capitalism, but in addition shows the vital importance of the social component for the progressive project's survival.

*Argentina's Genie Coefficient: 1993 to 2009*

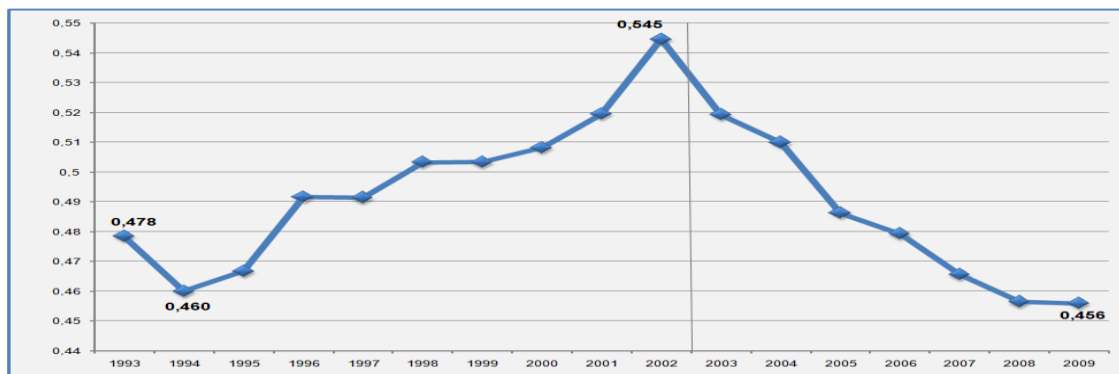
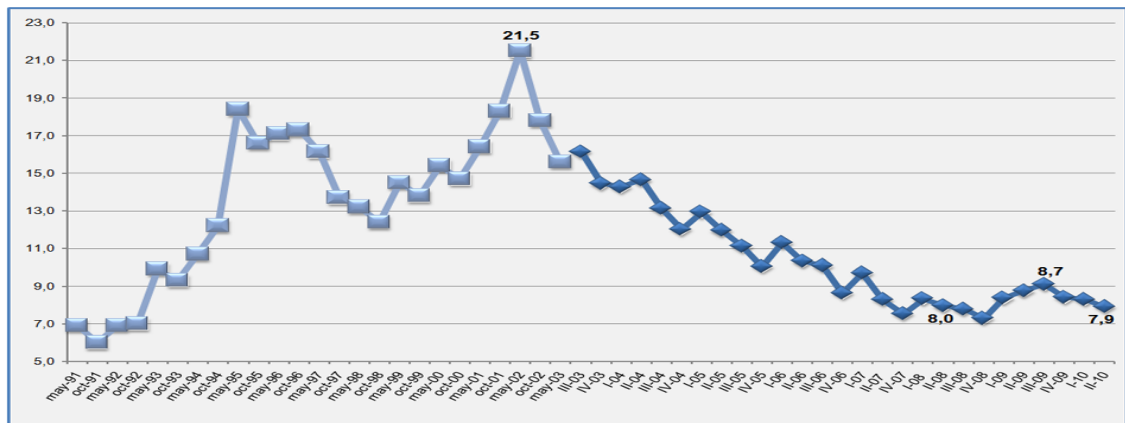


Chart 3.13; Source: Dr. Carlos A.Toma; Ministro de Trabajo, Empleo y Seguridad Social; Septiembre de 2010

*Argentina's unemployment rate: 1991 to 2010*



Chat 3.14 Source: Dr. Carlos A.Toma; Ministro de Trabajo, Empleo y Seguridad Social; Septiembre de 2010

*People below the poverty line in Argentina from 1995 to 2010*

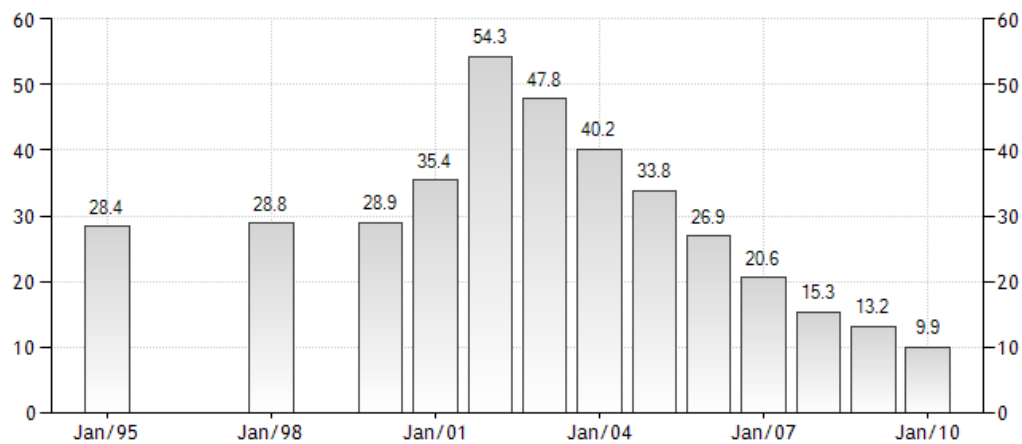


Chart 3.15 Source: World Bank;2010

*Foreign Policy:*

The foreign policy of Kirchnerism has been subordinated mainly to domestic concerns in order to gather internal popular support (Malamud, 2011). In this respect Kirchner's combative rhetoric against the IMF, which many times portrays the Fund as the Argentina people's greatest enemy (Ibid,2011) had an important role in changing the relationship between 'rule makers' and 'rule takers' (Grugel,2008). After many decades of direct intervention by the IMF in Argentina's economic policies, the arrival of Kirchnerism certainly represented a clear rupture. Nestor Kirchner's negotiations with the IMF at the WTO Dubai conference in 2003 was an indication of the different path the Argentine foreign policy was following. In this meeting, Nestor Kirchner himself proposed to the IMF that his government would pay its obligations if the IMF agreed with an aggressive 75 percent of debt discount. In 2005, after achieving a 70 percent debt discount, the administration cancelled all obligations with the IMF in one single payment, finishing any leverage the IMF could have on influencing Argentina's economic policy (Hornbeck,2004). In 2010, the government initiated negotiations with the 'Paris Club' to pay off the outstanding obligations with this group. The 'Paris Club' is an association that gathers lenders of 19 different developed countries that in partnership with the IMF, serve as creditors. As part of these negotiations, the 'Club' required all debtor countries to comply with the terms of the clause IV of the IMF agreements, which is the clause that authorized the IMF to establish conditionalities on loans. Since its inception the government was clear that it would not accept any IMF intervention which led to the second in command at the IMF, John Lipsky, to openly propose at the IMF annual conference in 2010, that Argentina should be sanctioned if it kept refusing IMF reviews (Carrillo,2010b). However, in the same year Argentina reached an agreement with the 'Paris Club' without the mediation of the IMF.

Other indication of Argentina's more sovereign foreign policy under this government came when in 2006 in the Mar del Plata Summit of the Americas, in alliance with Hugo Chavez, Nestor Kirchner blocked the approval of the Free Trade Area for the Americas (FTAA). The FTAA was a regional trade project proposed by the United States at the Summit of the Americas in 1994, that inspired by the NAFTA, proposed an hemispheric free trade area. The project was supported by both Clinton's and Bush's administrations and, until 2003, by most of Latin America's head of states. The treaty was ready to be ratify in Mar del Plata but because of Kirchner's and Chavez's interventions negotiations collapsed and the American delegation decided to abandon the project (Tussie, 2009). The resistance to FTAA and the electoral victories of 'Pink Tide' governments after 2003 generated a proclivity amongst Brazil, Argentina and Venezuela for the creation of a political MERCOSUR that could oppose the American influence in the region and contest neo-liberal policies (Tussie, 2009).

Even if Venezuela was fully integrated within MERCOSUR in 2004, the creation in 2005 of the Regional Fund for Structural Convergence led to a more ambitious initiative that aimed at integrating the whole of South American in the Union de Naciones Sur Americanas (UNASUR) (Ibid; 2009). The creation of UNASUR, reflects the emerging alliance forged between: Lula, Morales, Correa Chavez, Lugo, Kirchner and Fernandez after the manner of Kirchner, in which programs of countering neo-liberalism and American led integrations have formed a regional platform to encourage autonomous development and regional self-determination. UNASUR, reflects the new continentalism to which most of these progressive governments aspire. As stated by Cristina Fernandez de Kirchner:

'I believe in Latin America we're living a second independence. The first was 200 hundred years ago against the colonial tyranny. The second independence is the economic one that means development for our societies and better living conditions for our people....Our destiny is common and shared' (Filmus; 2010)

In 2009 Nestor Kirchner, as president of UNASUR, mediated effectively in order to avoid a military confrontation between Ecuador and Colombia and, in under 24 hours, reached a continental censure for the coup attempt in Ecuador (Lantos, 2010). These initiatives are evidence of the shifting balance of power in the region as neither the U.S nor the O.E.A had any major involvement in these issues. Other noticeable variations have been Argentina's autonomy from the U.S. in subjects that could be politically sensible for the Americans interest. One example of this was Argentina's vote in favour of Cuba's reintegration into OEA in 2008 and in 2009 (Malamud, 2011). In addition, Nestor and Cristina had maintain close diplomatic relation with Chavez with Venezuela being the most important regional ally of the government following Brazil (Ibid; 2011). Up until 2007, the Bolivarian government owned 4.2 billion dollars in Argentine bonds acquired after 2003 and since that year the Argentine government had signed 62 international agreements with Venezuela (Ibid, 2011).



The recent nationalization of REPSOL-YPF as well as the case raised by Argentina at the United Nations with regards to the sovereignty of the Falklands, and a persistent nationalist rhetoric when it comes to foreign involvement have all been crucial in winning support for Kirchnerism. As an extract from Cristina Fernandez's speech on the day of the sovereignty (which was declared an official holiday for first time in 2010) shows, when she called upon Argentines: *'To remove from our heads cultural chains that had been imposed on us for years, which are stronger than cannons. Because they make us see with the interests of the others (foreigners) and not with the ones of the motherland'* (Bruschtein,2010) In addition, in 2011, Argentina's public support at the United Nations for the establishment of a free Palestinian nation-state clearly demonstrated that the current foreign policy is not about complying with American foreign policies.

This greater autonomy from the U.S. is directly linked to the policy space achieved after eliminating the IMF influence. Since the U.S. controlled 17.5 of voting power at IMF directive panel, which by statute requires that important decisions required an 85 percent majority, gave the U.S. veto power over important decisions (Thacker,1999). One recent confirmation of this international autonomy, was when the U.S. secretary of the Treasury at G-20 summit in South Korea in 2010, proposed that there was an imperative need for 'rebalancing global demand' through restraining middle income countries capacity to apply 'competitive sub-valuations' mercantilist policies and to limit reserves accumulation to 4 percent of GDP (Krakowiak,2010). The Argentine Minister of the Economy Amado Bodou was of the view that the: *'Argentines decisions are taken in Argentina, we're going to sustain a competitive exchange rate regardless of the outcome of the on-going global 'currency war'* (Carrillo,2010e). On this same line of argumentation, the President of the Argentine Central Bank, Wanda Pont, argued that: *'Argentina is not going to allow the developed world to transfer their economic crisis to us as in the past'* (Carrillo,2010d).

Another suggestion has been the aim of reaching a more sovereign position at international level in its strategic alliance with MERCOSUR countries (especially Brazil) and the expansion of south-south relation at the level of the G-20 platform. Between 2003 and 2007, Argentina's government signed 398 bilateral agreements of which 61 percent were with Latin American countries, 22 percent with European Union and Asia, and only 6 percent with the United State and Canada (Lopez,2007). Among the G-20 countries, Argentina's commercial relations with China are the most noteworthy. In 2010, China was Argentina's second export market after Brazil accounting for 8.5 percent of exports. On the other hand, China invested in 30 thousand hectares of arable land in Rio Negro, one billion dollars in copper's refineries and banking, purchasing 80 percent of a Standard Bank subsidiary in Argentina. In 2011, China's investment in Argentina reached \$10 billion US dollars (Bidegaray,2011) (Rebossi,2010).

Another less important, but growing, export market is India. What this shows is how trade relations with the BRICS had to a certain extent displaced the hegemony the U.S had enjoyed during the neoliberal period and this reflected a 6 percent exports decline since 2004(ECLA,2010)

*The Political Economy of Post-neoliberalism and the new 'Progressiveness'*

The post-neoliberal re-structuring in Argentina certainly provides evidence of a modification in the organization of capitalist social relations if put alongside those policies dominant in the country since 1976. The reactivation of the industrial and productive economy, ISI initiatives, market regulations, external debt lessening, fiscal/commercial surpluses, increasing international reserves and a state-led development policy, are perceptible indicators of this variation. The realization of capital under the post-neoliberal political economy is more centred on productive rather than unproductive activities, on an exporting rather than importing economy, on internal savings as a substitute for international credit, and on local demand having an increasing weight in economic growth as a replacement of FDI or financial activities. In terms of the question of what is new under post-neoliberalism, these factors indicate that the crisis of neoliberalism in Argentina has gone beyond the rupture within continuities in policies or more or less state intervention, and has resulted in a new organization of capital accumulation processes which should be judged as a post-neoliberal political economy.

The latest capital accumulation structure articulates a different economic power alignment in which the leading economic role is conferred upon exporters, industrial and agrarian capitalists, and to smaller degree to small and medium sized industries. This is distinctive with the neo-liberal accumulation structure, in which capitalists are involved in privatizations, diversified big capital and the banking sector has the leading economic role (Peralta,2006). In a similar fashion, labour relations show a change in the structure of accumulation. From the time of the military government until the conclusion of convertibility, neoliberalism in Argentina demonstrated a persistent trend towards diminishing labour power and wages (Romero,2006) (Peralta;2006). In the new political economy, however, organized labour has reinforced its political power and as a result, wages and social policies instead of being perceived as costs to capital, are recognised as important components for accumulation (Di-Tella and Kirchner,2002;Filmus,2011).

The undergoing class realignments within the post-neoliberal restructuring, illustrate the extent to which assessing post-neoliberalism from a viewpoint solely restricted to identifying continuities within ruptures in policies, is too narrow when it comes to trying to offer an accurate assessment of the structure of the political economy of these progressive governments. A good example, can be found in Paul Alexander Haslam's work concerning FDIs in Argentina (Haslam,2009). He argued that there seem to be significant continuities in the legal framework that governed FDI within the neoliberal period, pretty much on the basis that it is the 1976 law (Law 21,382) which still regulates FDI (Ibid,2009). This argument, instead of reinforcing the continuities within rupture in policy practices framework, shows evidence that this framework is rooted in a poor understanding of neoliberalism as an organization of capitalism. This is because during the military government, which approved this law, industry GDP shrank in by 10 percent, real wages by 20, labour repression lead to 30 thousand disappearances and there was an exponential growth of external debt (Bosualdo;2006). This denotes the fact that even if the FDI regulatory framework at the present is the same as during the neoliberal period, the particular way in which accumulation is structured reflects, possibly, a path dependent rupture with neoliberalism. The post-neoliberal political economy is not the outcome of isolated policies, but of a restructuring in the capitalist regulatory framework in order to foster a particular organization of capital accumulation. Contrary to what recent works on the subject have put forward, it could argued that the case of Argentina shows first, that post-neoliberalism is an articulated governance and not a group of contradictory policies as has been argued (Heidrich and Tussie,2009). Furthermore, it could be said that post-neoliberalism is a different organization of capitalist accumulation, instead of being an ambiguous endeavour of policy ruptures within continuations within neoliberalism (Macdonald and Ruckert;2009). In addition it can be suggested that post-neoliberalism is not about more or less state interference in governance (Gruggele and Rigozzi,2009) but about a particular kind of intervention that privileges a specific organization of capitalism.

With respect to this last point, it is important to demarcate the scrutiny of the role of the state under the new political economy from a perspective that analyses the historical class structure of capitalism, instead of from a notion of the pendulum swing between state and market (Ibid;2009). From this perspective the new-fangled kind of state intervention, will be a reflection of the new class alignments that are emerging from the present capitalist restructuring and not represent the so called 'return of the state' (Gruggele; 2006). In Argentina, neoliberalism was strongly imposed through state intervention. This happened, first, by a Military Junta that undertook acts of genocide to eliminate labour's resistance to economic liberalization (Romero;2004) and, second, through executive decrees throughout Menem's government. The majority of the essential neoliberal reform during Menem's time as president,

were passed through these executive decrees without consultation with the congress, by using the special powers conferred on the executive in the emergency law of 1990 (Bambaci, Saront and Tommasi; 2002). What this clearly shows is that neoliberalism never was about non-state intervention in Argentina. What has changed under Kirchnerism is the way in which the state is intervening, as capitalist relations are being guided by regulating capital accumulation relation, in order to boost national capitalism. This reinforces the emergence of a new class alliance (with a progressive component) that calls for a particular kind of socio-economic regulatory framework in order to assure the present organization of capitalist accumulation (Gramsci; 2005).

It's important to emphasize that Latin America's new progressive projects represent governments in dispute emerging from the organic crisis of neoliberal hegemony in the region (Sader; 2009). In this process a variety of social-popular movements, working and middle classes and poor popular sectors are being integrated in a hegemonic Gramscian way into post-neoliberal class projects. In Argentina, the rejection to neoliberalism, the defence social redistribution, the move to national self-determination and pledges of national development based on production and consumption indicate - as has been argued by Katz - that the leading social force behind Kirchnerism is the 'National Bourgeoisie' (Katz; 2008b). The national bourgeoisie, whose economic interests are with small and medium businesses which are in turn attached to national markets (Besualdo; 2006). An indication of this class bias, can be illustrated by examining the support of government for the creation of PYMES, which has resulted in the creation of more than 130 hundred thousand new PYMES since 2003 (Roura; 2012). This shows the government's interest in rebuilding the economic base of a social class that was displaced from the corridors of power following the liberalization process initiated during the 'Process of National Reorganization' (Besualdo; 2006). For example, the former minister and currently vice-president Amado Bodou, in a newspaper interview in which he was questioned about why the business sectors were so reluctant to support government's policies stated that:

'We have to understand that we cannot talk about a business sector in general. There are medium sized businesses that are doing very well, that are being included in the value chains and are not yet politically organized. They support the government, but this support does not became public because they are not organized in a business organization. And on the other hand there are business people, who are part of the 'economic establishment' that are used to a 'flexible' country, which meant with a crisis every 5 years, they used to increase their wealth without any effort. Those are the ones who were part of the financial runs in the past, the supporters of the dual currency...The ones that do not accept the existence of an organized labour movement that dispute its profits. A 'national bourgeoisie' is forming amongst medium-sized companies that at some moment is going to speak up'. (Navarro; 2010b).

The fact that the existing class alliance is led by the ‘national bourgeoisie’, indeed does not make of the Argentine progressive project a revolutionary one, but certainly it represents a more progressive capitalism than the neo-liberal accumulation structure. Since the reinforcement of the national market is essential for the expansion of these small/medium national capitals, what makes the expansion of purchasing power of labour and universal social coverage for the poor an essential component of capital accumulation. This is why, a model embedded in production, full employment, redistribution and self-determination, has been since the beginning been the principal hegemonic undertakings (Di-Tella and Kirchner; 2002). The socio-economic record of post neoliberalism in Argentina speaks for itself if it is contrasted with the social record of neoliberalism. The enhancement of spending, pensions, *Asignación Universal por Hijo* and support for trade-unions, has made a difference for many, even if these are not revolutionary measures. This point is often missed in contributions that argued that not so much has changed under these post-neoliberal economies (Taylor, 2009). It is a good understating of the fact that the way in which the labour force has reproduced is an essentially a dialectical component of the accumulation of capital (Marx, 1976) and therefore, modifications in processes of reproduction of labour are resonance of changes in the structure of capital accumulation.

On the other hand, some Eurocentric readings of the new governments disregard these moves as not ‘Leftist’ enough to be considered as from the Left or as post-neoliberal (Weber; 2009). This Euro-centralism is exposed in its understanding of what it is to be from the Left, that do not take into account of the historical political values that guided the Latin American Left discourses especially after the Cuban Revolution. From 1959 until 1991, to be from the Left in Latin America was associated with notions of anti-imperialism and national-liberation, development, redistribution of wealth and land reforms (Harnecker; 2002). It is important to highlight, that the Cuban Revolution marked a breaking point regarding an understating of the left in the region since, paraphrasing Marta Harnecker, it was the first time in history that socialism was made in Spanish instead of in Russian, German, English or Chinese (Ibid; 2002). The Cuban Revolution significantly undermined the Eurocentric workerist views endorsed by Pro-Soviet Communist Parties in the post-war period and incorporated Latin American into notions of the Left, issues associated with causes of under-development, economic redistribution, anti-imperialism and Latin American integration (Lowy; 1992).

But Cuba’s enduring crisis and the plunge of the USSR, made most of these issues throughout the 1990s only a spectre from the past. However, with the return of the Left in Latin America, many of the issues raised by traditional Lefts in the past, had been re-incorporated within a moderated notion of social change (Sader; 2011).

The majority of these governments, endorsed policies that encourage principles of self-determination, development, wealth redistribution and Latin American integration (Ibid;2011). It is in this sense, if it is seen in the context of Latin America's historical process, that the current process can be read as a turn towards the 'Left'. Since this progressive governments, what has opened up is the political space to talk again about Socialism, Latin American unionism, self-determination, social justice and development of a world that is dominated by neoliberal values. This makes the region, as has been argued by Sader, certainly the 'weakest link' on a neoliberal chain (Sader;2008). In Argentina, amongst a significant share of social movements, Kirchnerism is appearing as fairly positive force. As explained by Paulo, an organizer of *Movimiento Campesino de Santiago del Estero* in Quimilí (Santiago del Estero) in an interview with the author:

The new progressive government represents a hope, that spaces are opening and we have to take it easy and to not expect that everything is going to change immediately...But it is important that social movements keep showing their power to these governments and make their claims. Most of these governments are the result of social movement's mobilizations and we should not stop. We believe another world is possible and these governments are opening spaces, not like in previous governments that repressed us ...The government (Kirchnerism) has opened spaces for us to grow and if they give us something it is fine and welcome. As well, we offer electoral support, because the opposition is strong and if the 'Right' wins the government, then the 'capitalist model wins' and we're going to have a very bad time. Because the interests are much bigger and if they (the Right) behave like this without being in government how would they be if they have the government ..Many of the laws proposed by the government have been approved because of the support of social movements, the government wants to open some doors but we have to give them a push... (November 2010, Santiago del Estero).

### *Conclusion*

The political economy of post-neoliberalism in Argentina, reflects a transcendence of the neoliberal organization of capitalism. For example, industrial and productive economy growth, imports restrictions, industrial policies, external debt reduction, trade surpluses, international reserves accumulation, ISI initiatives, the end of the IMF disciplinary power and a macro-economic policy centred on *Exchange Rate Mercantilism* which the CER is doing, all exemplify a very different process of capital accumulation from the one dominant during the neoliberal period. The expansion of the productive and exporting economy, based on the concept of social reproduction, which centres on sustaining internal aggregate demand, embodies a rupture with the processes of realization of capital organized around policies that encourage wages reduction, the unproductive economy and a importing oriented trade policy, as was the case under the neoliberal organization of capitalism in Argentina. This new post-neoliberal organization of capitalism, has been rooted in a progressive project that by embracing a different conception of social reproduction has reversed many of the worst excesses of neoliberalism. Wages and pension increases, universal social policies, increasing public spending and a assignment to organized labour of a privilege position as a political actor, are particularly progressive policies if contrasted with neoliberal policies of social reproduction. The outcome of this more social component of the existing governance, has been that from a virtual economic depression in 2002, by 2010, the unemployment rate was at 7.9 percent, the poverty rate at 6.8 percent, the GDP was growing at over 8 percent, real wages had increased by 44 percent since 2003 and the Genie coefficient had dropped by 10 points.

This progressive project tenets of redistribution, industrialization and self-determination represented by Kirchnerism, is an expression of a deeper process of the emergence of a new hegemonic class alliance in Argentina that has fostered a specific organization of capitalism. State-led development at the moment has established as leading economic forces under the recent structure of accumulation: exporters, industrial and agrarian capitalist, and small/medium companies. In the same way it had incorporated labour and popular sectors into the hegemonic project by its progressive measures, as part of the attempt of the national bourgeoisie to rebuild national capitalism and achieve industrial development. However, the fact that the macro-economic governance of post-neoliberalism is centred on promoting exports - and that in recent years commodity products have been leading Argentina's exporting economy raises the question: to what degree is progressiveness embedded in reinforcing the commodity exporting economy and, therefore, also reinforcing Argentina's economically dependent position in the international capitalist economy. The achievements of the progressive government in Argentina in the socio-economic front are clearly perceptible and the will that the leadership has shown in fostering industrial development and regaining sovereignty,

suggest it has taken the right path. Nevertheless, the mechanism that had made the progressive reforms viable is paradoxically generating a new situation of dependency upon which the survival of chief policies of Kirchnerism are embedded in reinforcing Argentina's asymmetrical insertion into the global capitalist economy, as will be shown in the following chapter.



## *Chapter 4*

### *The Paradox of Progressiveness: Commodities and the Reassertion of Dependency,*

#### *Introduction:*

The Kirchnerist project has turned social relations in Argentina towards the ‘Left’ if compared with the kind of neoliberal capitalism dominant in the country since 1976. The articulation of a socio-economic program based in the expansion of aggregate demand and the productive economy, market regulations, universal social policies, sovereignty and regional integration, represents a noticeable rupture with the years of the ‘Washington Consensus’. These post-neoliberal policies had achieved the elevation of wages by 45 percent, the diminution of the Gini coefficient by 17 points, a tripling of social expenditure within 6 years, a decrease in unemployment from 27 percent in 2001 to 7.5 in 2010 and to sustain GDP growth at an average rate of 8 percent. The progressive project had the merit as well of re-introducing to debates issues associated to sovereignty, industrialization, development and wealth redistribution which were totally forgotten throughout the 1990s. Nevertheless, many of these achievements and policies have been possible because of the outstanding performance of the external sector of the economy in recent years. The implementation of the recent macro-economic policies and external factors, enabled Argentina’s exports to double between 2004 and 2010, averaging a 12 billion dollars trade surplus each year. But underlying this performance, is the fact that Argentina is re-asserting itself as a commodity exporter country and strengthening the position of commodity exporting Transnational Corporations (TNCs)

This situation illustrates the fundamental paradox of the progressive project in Argentina and in Latin America, namely, the fact that a more progressive organization of capitalism is rooted in reasserting dependency and the region’s role as a commodity provider in the global economy. In order to explore this proposition, this chapter looks at the evolution of Argentina’s exporting economy in recent years, the importance that commodity exports have had in the sustainability of the Kirchnerist policies of: industrialisation, redistribution and international autonomy and the mechanisms that are reasserting dependency. It is argued that, since the new post-neoliberal political economy cannot find the vital components for its survival at internal level, the need for foreign earnings, exports revenues and trade surpluses, is making commodity exports an essential component in the reproduction of the progressive project. This is having the outcome of reasserting dependency, at the same time as allowing a more progressive post-neoliberal organization of capitalism.

In order to assess the argument, the first section scrutinizes Argentina's exporting trajectory in recent years identifying the key factors for its extraordinary performance and who are the principal corporate stakeholders in this process. In the second part argument is disentangled by, first, assessing the extent that the external sector have had a key role in making the re-industrialization project possible; second, the weight that taxes on commodity exports have had and is having, on the fiscal position that allowed Kirchnerism to advance its hegemonic policy of redistribution and, third, scrutinize to what extent the trade surplus has facilitated the growth of Argentina's international autonomy in recent years. In the last section the specifics of the new situation of dependency are illustrated by identifying its particular mechanisms and discussing the implications for economic development.

### *Argentina's International trade 2004-2010*

The end of the currency peg, triggered a strong reactivation of Argentina's external sector. In 1999, exports shrank by 12.5 percent if compared with 1998 but in 2002, with the end of the peso/dollar parity, exports increased by 16.75 percent and kept growing until the end of the decade (Char 3.1) With the instauration of the competitive exchange rate as chief macro-economic policy, the exporting advantage granted by devaluation became part of the economic institutional framework. Under the safeguard of the administrated exchange rate, exports increased by 57.45 percent from 2002 to 2005, the highest rate for a three year period since 1917-1919 (INDEC;2011a). Under Kirchnerism, exports increased by 97 percent from 2004 to 2010, with an average trade surplus of 12 billion dollars over the period. During the post-convertibility, the global trade contribution to growth has not exceeded 12 percent of GDP, which although important, does not make it the main driver of economic growth. The principal importance of international trade, lies in the strategic role that it has played as provider of foreign exchange, exports revenues and of balance of payment stability. The trade surplus permitted Argentina's economy to escape traditional external restrictions confronted by the government from the foreign earning scarcity, balance of payment deficits or public deficits. The export boom has had an indispensable role in making possible vital components of the post-neoliberal macro-economic governance such as: international reserves growth, public budget surplus and external debt reduction. That is why the CER appears as the central policy instrument of the new macro-economic governance, since without this export boom it is unlikely that the national popular project could survive.

Even if the government's policies have had an important role in providing export competitiveness, the hikes in recent years in international commodity prices have been important to Argentina's exporting performance. In 2003 Argentina's Central Bank commodity prices index showed that the average price of commodities exported by the country

were 82.7 percent of those in 1995. By early 2005 this rate had risen to 94.5 percent, in early 2007 to 119.3 percent and by January 2011, commodity prices exported by Argentina were 196.6 percent of those prices in 1995(chart 2.2) China's and India GDP growth was a fundamental factor for international prices increases (USDA;2011b) which for instance, wheat prices increased by 86 percent between 2006 and 2008; soy oil by 133 percent and soy pellets by 119 percent.(World Bank;2009) In addition, Brazil's economic performance in recent years has provided Argentina's an important export market for Argentina's industrial exports, especially for the automobile manufacturing sector. The good performance of the automobile complex, in 2010 meant this sector reached record highs this year, making it possible for first time in years that Manufactures of the Industrial Origins (MIO) represented most of the country's exports (chart 3.3)

But Argentina's exporting profile, even after improvements in its industrial performance, is still very much determined by its natural advantages. The share that primary products represented from exports rose from 19.6 percent in 2004 to 22.2 percent in 2010. This same year, 9.6 percent of exports were oil or energy related commodities and over 70 percent of Manufactures of Agricultural Origin (MAO) were commodities (INDEC; 2008 and 2011) Argentina's exports increased by 61.2 percent from 2007 to 2010, led by important commodity exporters such as the cereals complex that increased its exports over this period by 90.3 percent, the soy complex that increased them by 88.3 percent and the mining complex that increased exports by 725 percent (INDEC;2011c).



Chart-4.1: Elaborated by the author using: Balanza Comercial-1919-2010 INDEC (2011)

Among the principal exporting complexes, between 2005 and 2010, the soy complex raised its share of national exports by 4.7 percent, the cereals complex by 2.7 percent and the mining complex by 2.9 percent(chart 3.4) Even if industrial exports increased from being 7.5 percent of national exports in 2005 to be responsible for 11.2 percent of exports in 2010, the reality remains that Argentina's insertion into the global economy is rooted in its role as a commodity provider. In 2005 the main six exporting complex were accountable for 67.5 percent of national exports and 81.7 percent of these were commodities (Ibid;2011c). In 2010, these six exporting complexes traded 69.1 percent of exports, of which 79.1 percent were commodities. This represents a 0.20 percent increase in the commodity products exported over the period, even after a severe decline in the oil/energy exports which, from representing 19.9 percent of exports in 2005, was by 2010 accountable for only 11.4 percent, plus the increases in industrial exports(chart 3.4) This illustrates the extent to which the commodities economy has been reinforced under the progressive government. Even after highly regarded industrial growth, Argentina's insertion into international capitalism under Kirchnerism has been based in reinforcing its role as a low value added commodities exporting economy.

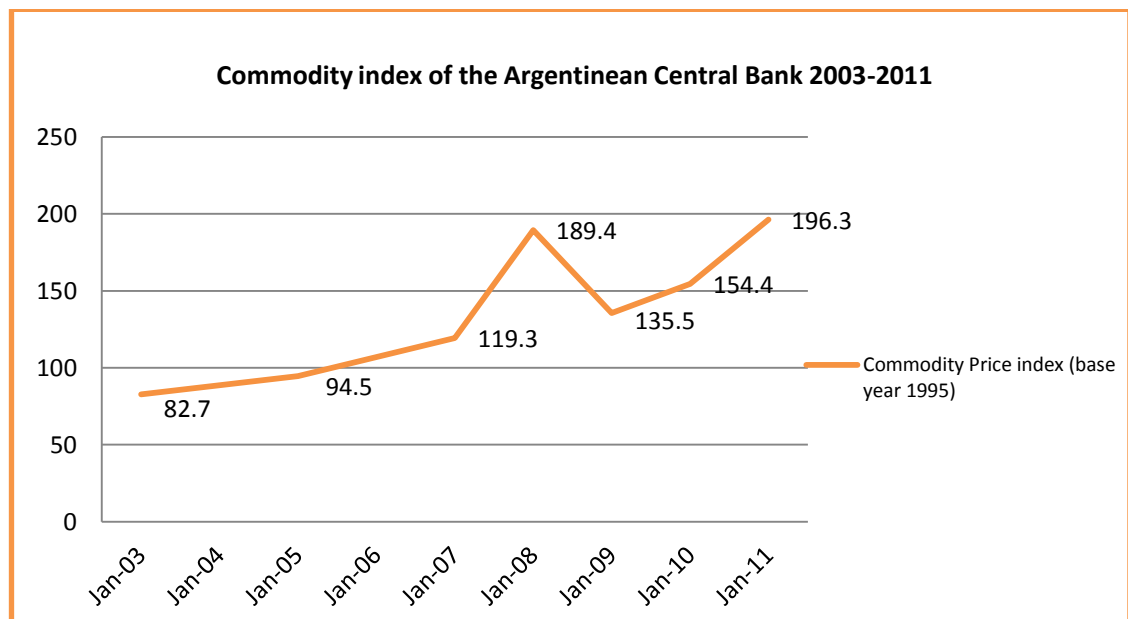


Chart-4.2: Elaborated by the author using the Argentinean Central Bank Commodity price index, 2012



Chart 4.3: Elaborated by the author using: Exportaciones Por Rubro (INDEC; 2011) and Anuario Estadístico de la Republica Argentina (INDEC;2008)

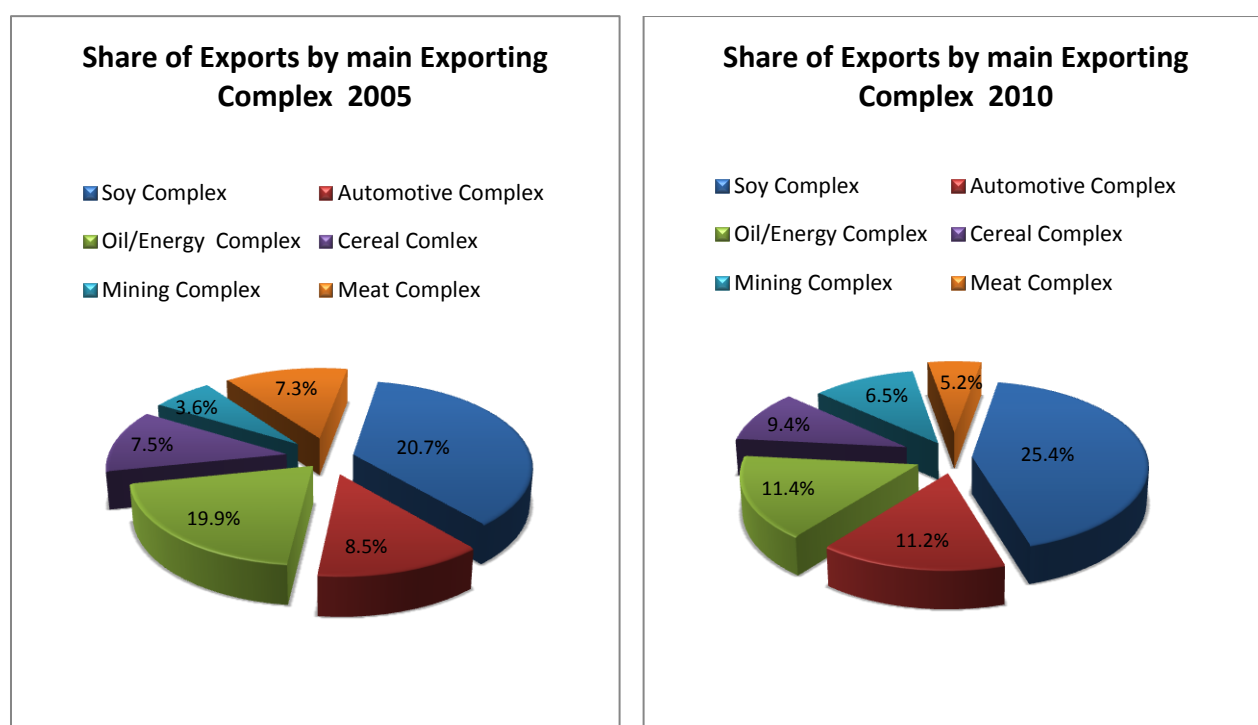


Chart 4.4. Elaborated by the author using Exportaciones por Complejo (INDEC; 2011) and Anuario Estadístico de la Republica Argentina (INDEC;2008)

Another significant feature of Argentina's exporting economy is that the country's international trade is mostly controlled by small group of Transnational Corporations (TNCs) In 2008, only 14 TNCs of four exporting complexes were accountable for 38.5 percent of national exports (chart 3.5). The top five companies in the soy complex (*Cargill, ADM, Bunge, Nidera and Dreyfus*) exported 61.7 percent of all soy products in 2008 and 14 percent of national exports (Hinrichesen;2010) In the cereal complex the same five TNCs exported 40.7 percent of the wheat and corn grains, equivalent to 5.7 percent of total exports. Merely between these two complexes in 2008, 5 TNCs were accountable for 19.7 percent of national exports. In the automotive complex, *Ford, Fiat, Toyota and Volkswagen* were accountable for 91.45 percent of the complex exports and 7.5 percent of national exports. In the oil and energy complex, *Repsol, Esso, Shell, Petro bras and Pan-American Energies*, were accountable for 91.45 percent of the oil and energy complex's exports and 11.92 percent of national exports (SENA;2009) If the automotive complex is excluded, only 10 TNCs specialized in commodity products which accounted for exporting 31.04 percent of Argentina's trade in 2008, which reveals the enormous influence which commodity exporting TNCs have upon Argentina's external sector. By 2009, it was estimated that Repsol alone was responsible for 8 percent of Argentina's trade, Cargill of 6 percent and Bunge 5 percent, therefore, a total of 19 percent of national trade in this year was conducted by three commodity exporting TNCs (Wasilevsky;2009) If it is taken into consideration that the main six exporting complex of the country control at least 69 percent of the country's exports, this could illustrate the structural power that exporting TNCs could have against the government if their economic interest are challenged. Plus, it clearly puts in the hands of these TNCs significant decision making power, since its position as integrators of Argentina to global markets, make these companies the chief means for foreign earnings and export tax revenues acquisition which are needed for the progressive project survival

The great performance of the exporting sector in recent years, has unfolded a debate about which were the essential drivers of the solid economic growth experienced during Nestor and Cristiana Kirchner's time in the office. On the one hand, neo-classic economists close to the IFIs, argued that the high commodity prices and good terms of trade are the ones that had driven growth (Izquierdo;2008) On the other hand, the government and other researchers have argued that even if high commodity prices have played a role, nevertheless increasing commodity prices alone neither assure economic growth with redistribution nor the revival of the productive economy (CENDA;2010)

## TNCs Share of Argentine Exports 2008

| Export Complex      | Top TNCs by Complex                                     | TNCs export share 2008                              | Exp. share 2005-10                                 |
|---------------------|---|---|--|
| Soy Complex         | Cargill, ADM, Bunge Nidera, Dreyfus                     | 14% (five previous TNCs)                            | +4.47% (The Complex)                               |
| Automotive Complex* | Ford, Fiat, Toyota, Volkswagen                          | 7.52%   | +2.7%  |
| Cereal Complex**    | Cargill, ADM, Bunge Nidera, Dreyfus                     | 5.12% (Excluding Rice)                              | +2.9%  |
| Mining Complex      | Goldcorp,   | N/A   | +2.9%  |
| Oil/Energy Complex  | Repsol, Esso, Shell, Petro brass, Pan-American Energies | 11.92%  | -8.5%  |
| <b>Total</b>        | <b>14</b> (Excluding Mining)                            | <b>38.5%</b> of national exports (Excluding Mining) | <b>+12.97%</b> share of exports (excluding energy) |

Chart 4.5: Elaborated by the author using; Secretaria de Energia de la nacion Argentina (SENA;2009), JJ. Hinrichsen (2010), Wasilevsky (2009)and INDEC: Exportaciones por Complejo (INDEC; 2011)

In addition, as pointed out in the last chapter, it has been aggregated demand and not trade, that has driven economic growth under Kirchnerism. High commodity prices alone do not generate enduring economic growth, it is the mixture of prices and public policies that channels these surpluses in certain directions (Gereffi and Wyman;1991). What is certain is that judging by Argentina's socio-economic record over the last years, it is the state led development in Argentina that is indeed channelling resources in order to sustain a more progressive organization of capitalism. However, the importance that commodity exports have had in recent years as an strategic contributor to foreign earning and export taxes, make it essential for the reproduction of the main hegemonic policies of the 'national popular' project. As will be shown in the following section, the performance of the exporting economy which is mostly based on commodity exports is critical for the sustainability of the progressive policies of industrialization, social redistribution and international autonomy, embraced by Kirchnerism. By analysing the specific mechanism on which international trade is indispensable for financing specific hegemonic policies of this project, I will commence to uncover what is the foundation of the new situation of dependency that is arising from Argentina's post-neoliberal integration into international capitalism as commodity provider under the leadership of exporting TNCs. Given that, for instance, the 11 billion dollars trade surplus enjoyed in 2010 was mostly the product of a 55 percent increase in the volume of primary exports (CEPAL;2011)

### *Foreign Exchange and industrial growth*

The promotion of industrial development, since inception, has been one of the most essential political features of the Kirchnerist project. Not without shortcomings, Argentina's industrial sector increased its output by 22.7 billion dollars between 2004 and 2010; a very respectable 67.3 percent of industrial GDP growth. The Ministry of Industry in 2011 published findings that this period has been the longest period of industrial growth since the first phase of ISI period and that the 9.3 percent average rate of industrial growth experienced between 2003 and 2008, has been the highest rate of industrial GDP growth in the history of the country for a five years period (Industrial Plan 2020; 2011) But the core question is how after if defaulted \$146 billion U.S. dollars in external obligations in 2001, it has been possible for Argentina to achieve this industrial performance? Historically, industrialization processes in Argentina have been subjected to the country's commodity exporting sector. The external sector in most developing country's is a significant factor for industrialization, since international trade is the what generates the inflow of dollars that are needed it in order to import the capital goods, technology and replacements that would allowed the increases in industrial productive capacity(Diamand;1971) (Kay;2002) As technology dependent economies, developing countries seems forced to encourage primary exports in order to be able to import technology or capital goods without incurring external obligations to the obtained dollars.

In reference to Argentina, Diamand argued that this was consequence of the fact that Argentina had a structurally unbalanced productive economy, in which primary sectors operate at international prices and production costs and the industrial sector functions at prices and cost that are higher than the international average(Diamand;1972). Due to it's lower organic composition, manufacturing capital in Argentine was not capable of competing at international level and therefore was incapable of satisfying its foreign exchange needs in order to fund its capital goods and technology imports. On the other hand, since the primary sectors of the economy were competitive at international level this made it a net contributor of foreign exchange, making the industrial sector dependent on commodity exports in order to finance industrialization (Ibid;1972) (Dos Santos;1973) In Argentina, as in Latin America, the foreign earnings 'external restriction' was the main cause of economic crisis during the ISI period. These crises were named the 'stop and go' cycle in Argentina, since after periods of industrial and economic growth, dollars began to be limited thus driving the economy into the 'stop' phase. The government action in response was the devaluation of the Argentine peso, in order to encourage commodity exports, thus increasing the inflow of foreign exchange and leading to the 'go' phase of industrial and economic growth again (Diamand;1972). In Argentina, foreign exchange deficits generated economic recessions every two years between 1949 and 1961 and every three years during after the period of Frondizi's developmentalism (1961 to



1977) during which productive TNCs began to bring in some dollars into the economy (Schavarzer and Tovananska; 2008). These recessions were not an exclusive result of fluctuations of global prices, but as well part of the structural limits of the economy. Hence, industrial and economic expansion was recurrently curtailed through the 'external restriction' of the dependence of foreign technology, demand in commodity markets and the limits of the commodity exporting sectors in providing a stable inflow of foreign earnings in a context of a still inward oriented economy. After the 1977 financial liberalization reform in Argentina, dollar shortages ended since international loans were available and eventually the high level of debt in public and private sectors became the new guise of the 'external restriction' (Ibid; 2008) This was clear after the debt crisis in the 1980s, but the 2001 default was the event that left no doubt about how the 'external restriction' took place under neoliberalism. (Ibid; 2008)

After defaulting on its external obligations and confronted with the absence of international credit, the Argentine government in 2002 began to force exporters to liquidate foreign earnings at the Argentine currency market and placed restrictions on buying dollars from the Central Bank (Peralta;2006) This inflow of dollars, allowed the industrial sectors to raise its industrial imports by 131 percent between 2004 and 2010 (chart 3.6) This was a foremost contributing factor to the 67.3 percent industrial output increase over this period. In order to make possible this ratio of industrial imports, it was necessary for national exports to double over this period in order to supply the foreign exchange demanded by the industrial sectors (chart 3.7) In the capital goods imports niche, an increase of 118 percent was experienced form 2004 to 2010, and in capital goods replacements amounted to 216 percent (chart 3.8) In 2010, these kind of industrial imports amounted to 23 billion dollars and represented 40.8 percent of total imports this year (chart 3.9) This year, a total trade surplus of 11 billion dollars was necessary in order to bankroll industrial imports and to enjoy a strong balance of payments, without incurring major external obligations. Thus, for industry to have a record year in 2010, commodity exporting sectors under the guidance of TNCs it had to export over 44.8 billion dollars (UNTACD;2011) in order to make viable industrial GDP growth without falling into the post-war external restriction or spiralling external debts.

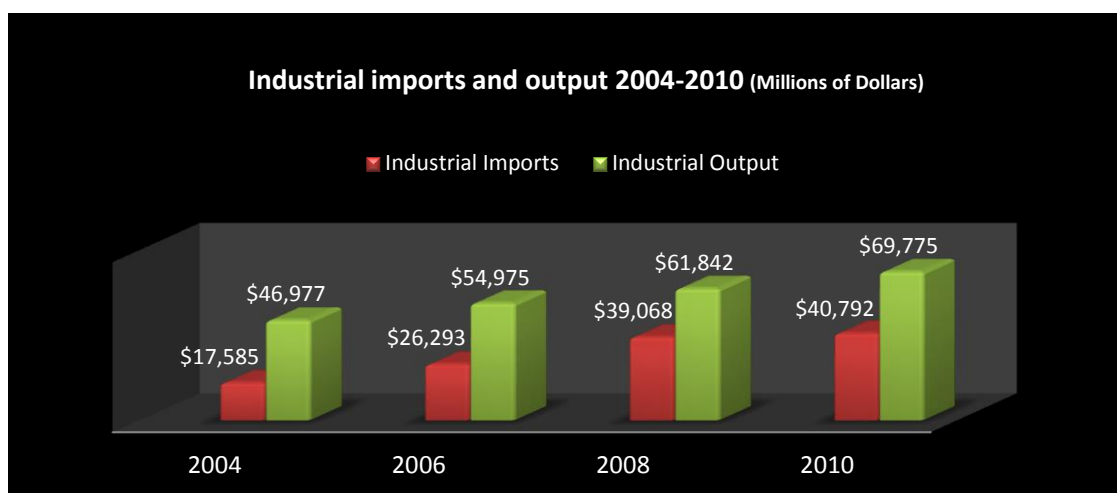


Chart 4.6. Elaborated by the author using: Importaciones por uso económico 1908-2010 (INDEC; 2011)

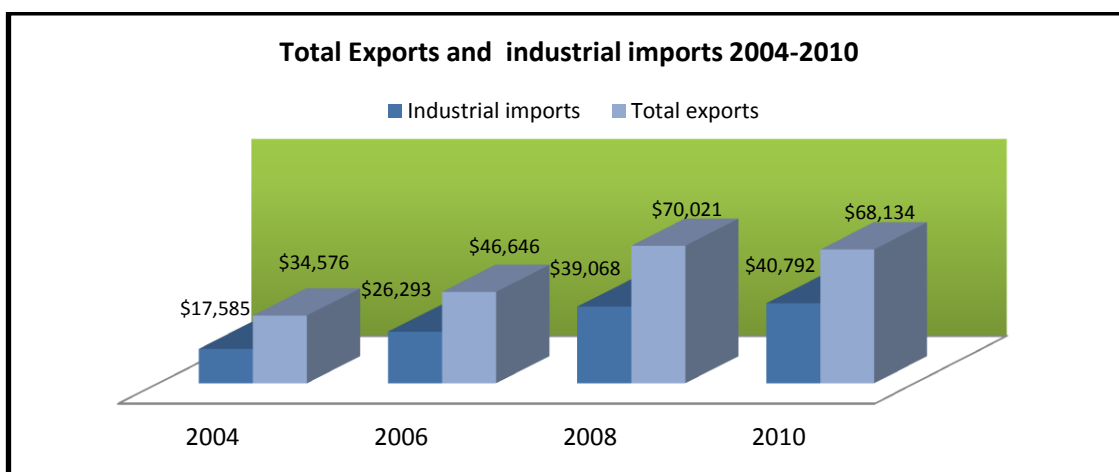


Chart 4.7 Elaborated by the author using: Importaciones por uso económico 1908-2010 (INDEC; 2011)

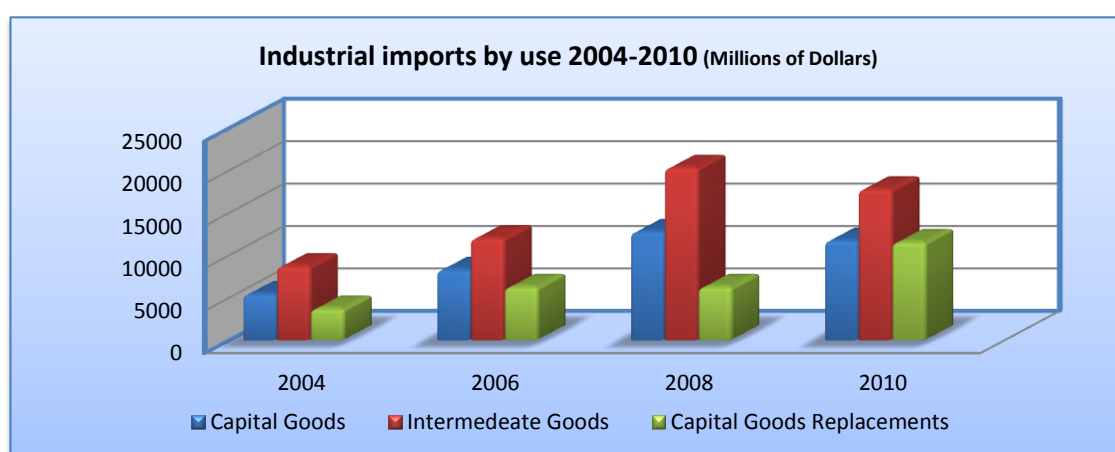


Chart 4.8. Elaborated by the author using: Importaciones por uso económico 1908-2010 (INDEC; 2011)

A closer look at the trade balances of key industrial sectors clearly confirms this fact. In the last years, the automotive complex has become the main driver of industrial GDP growth with an increase of 257 percent in the Monthly Industrial Index between 2003 and 2008 (INDEC;2011f) But in 2010, which was a record year for the sector, its trade deficit was of \$2,605 million dollars (Chart 3.9) which means that the dollar deficit was covered by the surplus of dollars available in the Central Bank as result of the trade surplus. Other important drivers of industrial GDP such as the chemical sector, which grew by 42.2 percent in the MIE index for the period(ibid;2011f) had a trade (foreign exchange) deficit of \$303 million dollars in this year. In sectors labelled by the government as key for ISI and employment creation, such as the shoes and textiles industries, the dollars deficits amounted, respectively, to \$337 million and \$212 million. In the electronic appliance sector, which has been targeted by the government with special tax credits incentives, the dollars/trade deficit amounted \$1,710 million dollars. If only these five industrial sectors are included, an total of 5.2million dollars in foreign exchange deficit is estimated for 2010.This makes the new post-neoliberal re-industrialization project rely heavily on the performance of foreign exchange generators of commodity exporters. For example, in 2010 the automotive complex imported 26 percent of industrial imports, which was the equivalent of 61 percent of the soy complex commercial surplus this year (INDEC;2011g) Any significant decline in commodity exports could hold back the post-neoliberal industrialization project

#### Foreign Exchange deficits in Selected Industrial Sectors 2010

| Industrial Sector        | Exports         | Imports         | Balance         |
|--------------------------|-----------------|-----------------|-----------------|
| Automotive manufacturing | \$8,078         | \$10,683        | -\$2605         |
| Chemical sector          | \$3,491         | \$3,794         | -\$303          |
| Electronic appliances    | \$40.1          | \$1,750.1       | -\$1,710        |
| Shoes sector             | \$30.2          | \$367.9         | -\$337          |
| Textile sector           | \$216           | \$428           | -\$212          |
| Agricultural Products    | \$17,685        | \$471           | +\$17,214       |
| <b>Total</b>             | <b>\$11,855</b> | <b>\$17,022</b> | <b>-\$5,167</b> |

Chart 4.9. Elaborated by the author using: Fichas Estructurales y evolucion 1991-2010. Centre for Production Studies

In comparative analysis, in relation to the late industrialization of Latin America and South-East Asia, Latin America's insufficiency of foreign exchange has been identified as an important factor for the different industrialization paths between these regions (Kay; 2002). In this discussion, it is argued that in order to achieve successful industrialization a country has to address the issue about how agricultural surpluses are transferred to the industrial sector (Kay; 2002). In the case of Argentina, as table 3.9 shows, the agrarian base 'food sector' has more than 17.2 billion of trade surplus with a tiny sectorial dollar consumption of 471 million dollars. Agricultural surpluses have been defined by Mellor as the difference between agricultural exports and the portion of exports the sector keeps for its own consumption (Mellor;1973) The 'surplus' is indirectly transferred by agrarian sectors to industry by supplying foreign exchange or, in a more straight line, through subsidies which result from taxes on agriculture. Two good examples in the Argentine context are recent industrial promotion schemes and the use of public funds to subsidize the financial sterilization required to sustain the CER. In both cases, there is an indirect funding of more than 12 percent of the budget which is the product of the taxes on exports paid by agricultural producers. In 2011, Cristina Fernandez de Kirchner made public her intention of implementing a strategic plan to increase industrial development in the next ten years.

The industrial strategy 2020, was established as a strategic objective to raise industrial GDP by 100 percent in ten years. The five pillars of the industrial plan are: 1) to sustain internal demand; 2) to protect internal market and promote ISI; 3) to endure the CER; 4) to increase exports; 5) to intensify productive investments. Beyond its more abstract aims, the industrial plan maps an industrialization strategy based on a selected process of 'upgrading' rather small companies in agro-industrial and low technology value chains. (2020 industrial plan; 2011) In order to attain this, at least in the medium term, industrialization will have to rely even more on the dollars generated by commodity exporters as these companies will not be able to cover their dollar demand. For example, the industrial plan 2020 estimates that productive investment has to be at least 28 percent of GDP from 2011 until 2020 and it states as an aim that this should be done without increasing external debt or incurring a current account deficit. Hence, it is forecast that there should be a 28 billion dollars trade surplus for 2020 to make this possible (Ibid;2011) Which means an increase of 235 percent of the trade surplus, which will be unattainable without strengthening the commodity export economy and the power of leading TNCs in the sector. Foreign earnings shortages are frequently solved through various standard methods as: 1) using international reserves; 2) borrowing; 3) selective allocation of foreign earnings; 4) implementing import restrictions to contain hard currency demands (Torado and Smith;2009). With the exception of the last one, all the other measures

will visibly have political costs for Kirchnerism thus making commodity exporters essential for industrialization at least for the following decades.

Evidence of the government's consciousness of the critical importance of having a solid supply of dollars in the economy, are a set of measures implemented by the government in late 2011 and early 2012. In late 2011 controls on dollar buyers at the Central Bank were re-introduced and in January, the government moved to an international trade system that controls all imports (Asiain;2012). Under this trade regulatory framework, the government will provide licences authorizing importers the importation of products that could not be acquired in the national market. Between February and March 2012, the minister of trade reached agreements with all the main industrial producers to diminish their trade deficits, by substituting imports with local production (Lewkowicz;2012). Beyond the ISI aim of the measures, these policies aimed as well to diminish the 'external restriction' that a crash in Europe could generate for Argentina as result of declining demand. It appears that the industrialization policy of Argentina's progressive governments is based on the strengthening of commodity export economy and the power of the TNCs leading these clusters. However, this is entwined as well with commodity exports' contribution to the public treasury as the next section show. In this section I will analyse the role export taxes have had in sustaining the budget surplus, as a way to assess the weight commodity exports and foreign traders could be having upon the 'Kirchnerist' re-distributive program.

### *The redistributive budget and commodity exports*

Latin American countries are usually considered as small 'fiscal states' when compared with the size of European social democracies (Sanchez-Ancochea;2008). Even if this is still the case for Argentina, a 400 percent public expenditure increase and a rise in the GDP/expenditure ratio from 14.8 percent of GDP in 2004 to 23.3 percent in 2010 denotes a discontinuity with fiscal conservatism of the neoliberal years (INDEC;2011h). The size of the 'fiscal state' is strongly associated with greater or lesser degrees of social inequality (Andersen; 1997). In the case of Scandinavian states, France or Germany, large public sectors and public budgets have being identified as chief factor for less social inequality, than for instance in the U.S. or the U.K. (Ibid; 1997). In Argentina public expenditure increases, push a fall of GINI coefficient from 54.7 in 2003, to 44.7 in 2010 (World Bank; 2010). Even if this is not near to France's 31.2, it is much healthier than Brazil's 54.7 or Chile's 53.9. The end of fiscal conservatism, made Argentina the second lesser unequal country in South America after Venezuela (Ibid;2010). But this spending freedom was mainly granted by a greater fiscal base as a result of economic growth on the one hand, and more fundamentally, on the other hand, by the reinstatement of taxes on commodity exports after 2002. Throughout the 1990s duties on exports were virtually

eliminated. In 1999, for example, taxes on export represented 0.5 percent of the government's fiscal revenues. In 2009 export revenues represented 12 of the public budget (Chart 3.13).

### Primary Fiscal balance 1999 to 2010

| Years | Primary balance | Years | Primary balance | Year | Primary balance |
|-------|-----------------|-------|-----------------|------|-----------------|
| 1999  | -.08            | 2004  | 4.5             | 2011 | 0.28*           |
| 2000  | -.04            | 2005  | 3.9             | 2012 | 2.45**          |
| 2001  | -1.3            | 2006  | 3.2             |      |                 |
| 2002  | 0.9             | 2008  | 2.9             |      |                 |
| 2003  | 2.8             | 2010  | 1.8             |      |                 |

Chart 4.10 Elaborated by the author using: World Bank Data base

In 2003, after the re-introduction of export taxes in 2002, the budget enjoyed a surplus of 2.8 percent. A fiscal surplus that throughout all the years that Kirchnerism had been in office has been sustained (Chart 3.10) The growth in export tax revenues by 420 percent from 2004 to 2010, enlarged the fiscal budget by 32.8 million pesos (8.2 billion dollars) and over this period, the primary surplus increased by \$7,008 million pesos (\$1.7 billion dollars)(chart 3.11) Public spending growth from 2004 to 2010 in \$262,580 million pesos (\$65.6 billion dollars) (Chart 3.12) and export revenues accounted for at least 12.5 percent of public expenditure every year (Chart 3.14) In 2007, public spending increased by 65 percent and social spending by 35 percent(INDEC;2008h) These increases were possible mainly due the resources generated by the government policy of increasing export taxes from 23.5 percent to 35 percent. The collection of export taxes increased by 26.6 percent and contributed 5.6 billion dollars between 2007 and 2008. These extra revenues were equivalent to 10 percent of public expenditure in 2008 and 33 percent of national social expenditure (INDEC;2011i).

The use of public budget as a mechanism for increasing the 'social wage', certainly implies a transfer of resources from private to public control. Public budget allocation is a political issue, rather than technical (Sanchez Ancochea;2008). Hence, the political economy of the budget implies allocating resources on the basis of promoting a certain idea of society by privileging some groups, while penalizing others. In Argentina, export taxes as share of the public budget, increased by 11.5 percent from 1999 to 2009 and property taxes by 8.3 percent (chart 3.13). At the same time social security contributions declined as a share of the public budget by 6 percent and VAT taxes by 3.7 percent. As chart 3.13 shows, the role of providing the most significant resource transfer from private to public hands in the current fiscal arrangement has been assumed by sectors related to commodities exports. This has placed leading commodity exporting TNCs as stakeholders in the redistributive agenda and the redistributive program has been made reliant on sustaining the growing rate of commodity exports. The fiscal freedom

granted by the primary surplus has been essential for providing the government with the possibility of implementing its social programs. This is because fiscal surpluses grant states with spending space to allocate resources for the unwaged and labour, without affecting capital accumulation; in this sense budget surplus is a type of insurance for social expenditure. In 2004, export taxes revenues were equivalent to 54 percent of primary surplus. In 2008, this figure had become 116 percent and 218 percent by 2009 (char 3.14). This means that any significant decline in export tax revenues could put an end to the fiscal liberty that had protected the re-distributive agenda of Kirchnerism. For example, the funds allocated in 2008 to '*Asignación Universal por Hijo*', were equivalent to 16.9 percent of the fiscal surplus. By 2010, these were equivalent to 29 percent, which means that a decline in commodity prices could jeopardise the paramount welfare program of the administration (Cogliandro and Melamud; 2011)



Chart 4.11 Elaborated by the author using: Recursos tributarios totales a precios corrientes and Ejecución del presupuesto sector publico nacional 2004-2010

If Kirchnerism incurs fiscal deficits, this could mean raising taxes, borrowing money from IFIs or printing more money (Lewis and Mitchell; 2008). Increasing taxes will not only affect its electoral base, but will as well be associated with the policies of the neoliberal arrangements of the late 1990s. Borrowing will mean betraying the external debt reduction policy and again, while for public opinion, an increasing external debt will be associated with the 2001-2 crisis. And printing money probably will trigger an inflationary spiral that could put a quick end to the 'national popular' project. Which, to a certain extent, make the progressive project dedicated to sustained and even expanding revenues from the commodity exporting economy. From 2004 to 2010, public employees' wages increased by 291 percent – a factor which has played an important role in the growth of internal aggregate demand, in a situation of fiscal deficit, and it is this wage bill that could become unsustainable.

This makes tax revenues from commodity exports a vital component in delivery of social policy by the progressive organization of capitalism that post-neoliberalism represents. For instance from 2009 to 2010 fiscal year, public expenditure grew by 22 percent and social spending by 37 percent (Char 3.12). This year's exports tax revenues increase by 34 percent, with a total of 2.7 billion dollars (INDEC;2011i). This figure was equal to 18 percent of public spending increases (15.3 billion dollars) and 37 percent of total social spending (12.1 billion dollars). Without the fresh dollars collected from increasing commodity export tax revenues, spending growth would not be realistic this year or at least not at a substantial 22 percent rate

Even if commodity exporting TNCs have regained certain power under the present political economy, the degree of subordination experienced by Argentina from IFIs before the default have been severely diminished. This greater international autonomy has offer Kirchnerism the 'developmental space' to pursue a post-neoliberal and more progressive form of capitalism. To defend national sovereignty along industrialization and social redistribution, have been the most important hegemonic policies of Kirchnerism at the level of political economy. A more balanced current and payments account had provided the progressive government with greater sovereignty in the face of the IMF or IFIs, but this policy space was made possible principally because of the performance of the export economy. In the following section, I analyse how the greater policy space and sovereignty gained by Kirchnerism against IFIs rests in reinforcing Argentina's subordinated integration into global capitalism as a commodity provider. This means, that while the IMF does not have any more a coercive capacity upon economic policy, the current political economy is embedded in increasing the influence of commodity exporting TNCs and Argentina's economic dependency

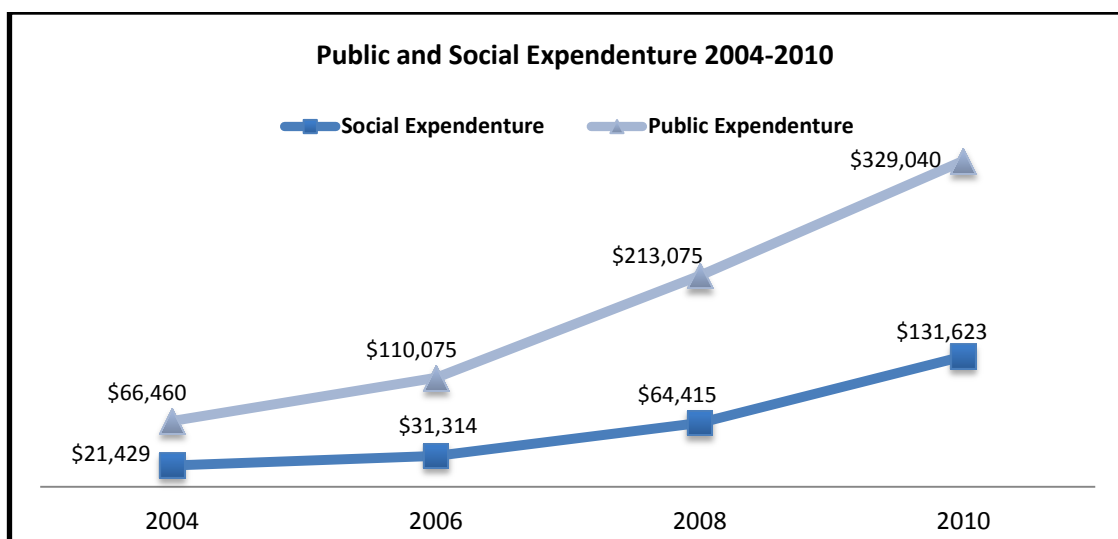


Chart 4.12. Elaborated by the author using: Recursos tributarios totales a precios corrientes. (INDEC;1999 and 2009)



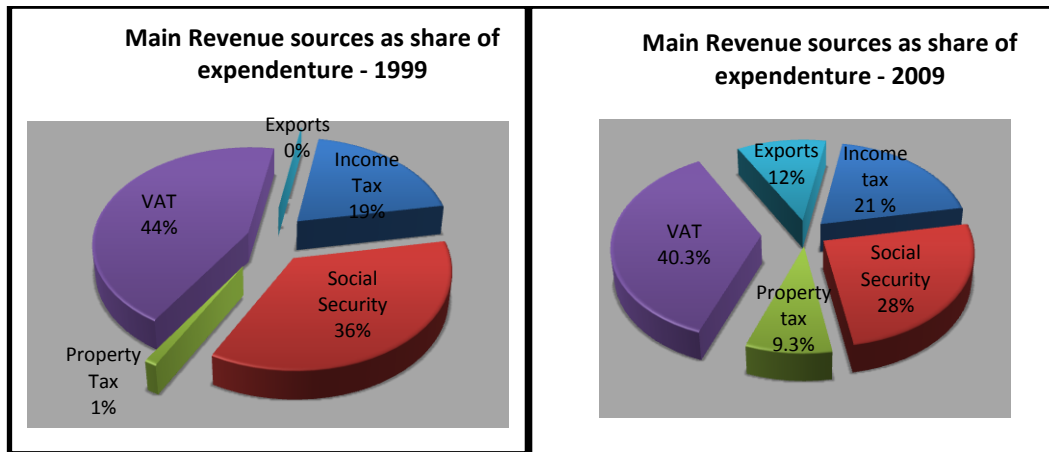


Chart 4.13. Elaborated by the author using: Recursos tributarios totales a precios corrientes. (INDEC;1999 and 2009)

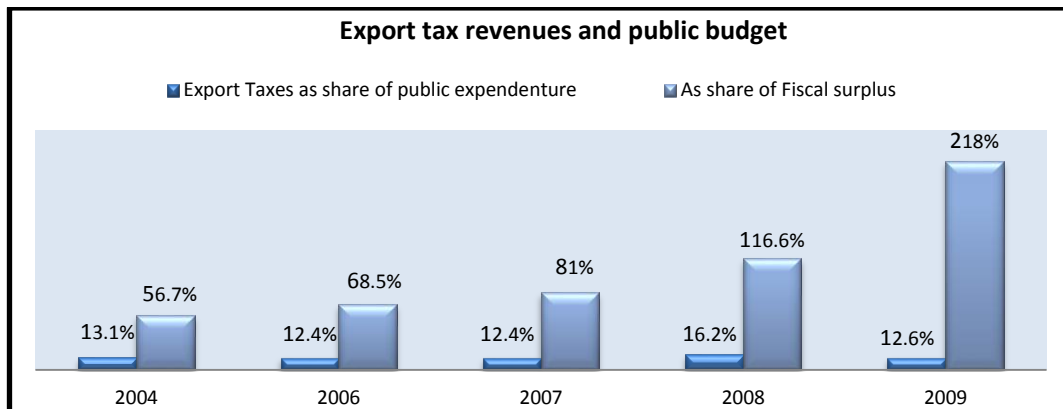


Chart 4.14. Elaborated by the author using: Recursos tributarios totales a precios corrientes and Ejecución del presupuesto sector publico nacional (INDEC,2004-2009)

### *Trade Surplus and International Autonomy*

Regaining national sovereignty after decades of IMF shaped policies, has been an important feature of the 'progressive' platform's hegemonic discourse. In 2006, after harsh negotiations with the IMF, the government cancelled in a single payment of \$9,589 million dollars its outstanding obligation with this institution, leaving the IMF without leverage to influence the government's economic policy. With the conclusion of the Cold War, the bargaining power of Latin American nations in its foreign relations were seriously diminished (Boersner; 1996). The ending of the communist 'threat', the Sandinistas' electoral defeat, the demobilisation of FMLN in Salvador and Cuba's critical situation, provided the U.S. led new 'multilateralism' of the 1990s with an ideal situation for its consolidation. This occurred in a region where, until late 1980s, words like Revolution and Socialism were part of public debate and foreign intervention was seen as a threat to national sovereignty (Castaneda; 1993).

Following the 'Debt crisis' it was clear that developing countries' political options were severely diminished by the need to adhere to new 'global' norms (Riggirozzi; 2009). In Latin America this meant: 'Subjecting choices to external discipline, surrendering important margins of sovereignty and subordinating national priorities to the interest of external forces' (Weayland; 2003). As part of the process of 'global convergence', by the mid-1980s the IMF had replaced its conditionality system from one based on macro-economic recommendations for one of 'micro-conditionalities' that shaped economic policy in great detail (Gould;2003). In 1986, the IMF introduced its new Structural Adjustments Loans, which included 'structural benchmark conditions' as a requirement to be eligible for economic assistance (Dreher; 2004). In 2000-2001, 82 out of the 168 nation-states in the globe, participated under these condition in IMF programmes (Gould;2003) and this provided evidence of the extent of the disciplinary power of the Fund. In Argentina the IMF influence was permanent since the first structural adjustments in 1986 until the 2001 default. The main economic problem faced by Argentina over this period was its chronic balance of payment deficit, which was the result of the high levels of external debts that public and private sectors acquired after the liberalization of international credit.(Besualdo;2006)Volker's interest rates hikes, bad policy decisions and the speculative frenzy that took over the Argentine business sector, created the circumstances for a new type of 'external restriction' on which Argentina's incapacity to cover its obligations made the IMF loans a mechanism of dependency. (Schavarzer and Tovananska; 2008)

The balance of payment position of a country is the initial baseline upon which participation in IMF programs is evaluated (Bird; 1997). Improvements in countries' balance of payments is stated as the primary goal of most IMF programs (Thacker; 1999). Nestor Kirchner's policy of reducing external obligations was a clear signal of its objective of improving Argentina's balance of payments in order to relinquish IMF conditionalities.

Since 2005, Argentina's has not taken economic assistance from either the IMF or the World Bank and from 2004 to 2010, external debts had been reduced by 22 percent (chart 3.15). After cancelling its last outstanding obligations with the IMF in 2006, Argentina's external debt/GDP ratio decline from 100 percent of GDP to 62 percent of GDP in 2006 and by 2010, this ratio was of 35 percent (INDEC;2010)The fact that the progressive government left the IMF without any leverage to influence policy, changed the international power relations of the Argentine state and the structure between 'rule makers' and 'rule takers' at external level (Gruegel;2008). This granted Kirchnersim, not just with greater margins in economic policy decision, but as well conferred the 'developmental space' needed by the progressive governments to pursue a post-neoliberal state-led development strategy.

Another important contributing factor to Argentina's greater international autonomy in recent years, has being the accumulation of international reserves. Following the Asian crisis, governments started to accumulate reserves as a self-insurance method versus financial crises and IMF discipline (Council of Foreign Affairs;2009). International reserves are basically accumulated primarily in three ways or a combination these: 1) through improving financial current account by the acquisition of loans and FDI; 2) by trade surplus and a sound debt burden; 3) through what some call 'Exchange rate Mercantilism' by which reserves accumulation is a result of currency exchange rate administration (Onno and Sondergar; 2007). Central Bank's international reserves in Argentina, increased by 165.6 percent from 2004 and 2010, increasing in 32.5 billion dollars (chart 3.16).

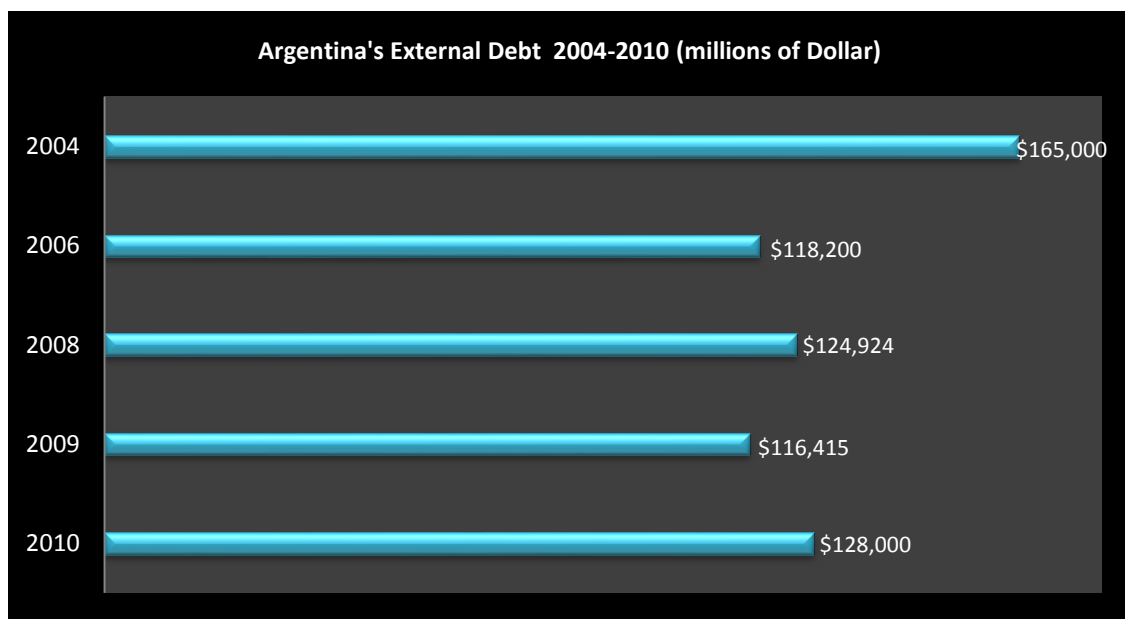


Chart 4.15. Elaborated by the author using: Estimaciones Trimestrales del Balance de pagos y activos. Y pasivos externos de la republica Argentina. (INDEC ;2010)

This quantity of international reserves made Argentina more resilient to external shocks and provided greater autonomy in policy decisions. For example, with the current international reserves Argentina could pay its external obligations up until 2015 or finance fiscal surplus for 4.8 years or trade surplus for 4.5 years or to pay for social spending for 18 months without cuts. In extremely critical situation, the governments is in the financial position of cancelling 40.5 percent of total international obligations in a single payment, leaving IFIs and financial markets with considerably less coercive influence that during the 'Washington Consensus'(INDEC;2010) As has been argued by Dreher, the power of a government to enforce its own agenda in negotiations with the IMF are smaller the more a country is in need of the loan (Dreher; 2004). Under the current scenario Argentina has a stronger bargaining position, which is a key factor in it having the policy space to pursue an heterodox

development strategy. A clear example of this new stronger bargaining position were the negotiations of with the Paris Club in 2010. In the negotiations the Argentine government officials were able to exclude the IMF from talks, even if 'Paris Club's' guidelines establish that all payments agreement have to be audited by the IMF .

The fact that Argentina has a stronger fiscal position, gave government's officials the bargaining power to achieve a payment agreement without being forced to assume 'structural benchmark conditions' that would derail the 'national popular' project. Even if this represents a big achievement, the paradox is that this had been possible mostly due to the performance of the exporting economy in recent years. A positive trade balance and manageable debt burdens are essentials of a good payment balance (Krugman and Obstfeld;2009). The performance of export sectors in recent years has provided the government with the possibility of financing its balance of payments without the need of external credit and provides the surpluses of dollars in the Argentina currency market, that allows the Central Bank to amass its international reserves by sterilizing dollar surpluses, which in turn are used to cancel external obligations.



Chart 4.16. Elaborated by the author using: Estimaciones Trimestrales del Balance de pagos y activos. Y pasivos externos de la republica Argentina. (INDEC; 2010)

International reserves are mainly possible through a current account or financial account surplus. In the first case, this is called 'earned' reserves, which are the by-product of a surplus in the balance of payments which in developing countries are the result of a mixture of positive trade balances and manageable debt burdens. In the second case, it is due to international loans or FDI or a combination of both (Onno and Sondergar; 2007). In the first situation, this was the way in which the dollar reserves were accumulated throughout 1990s to support the peso/dollar parity, mechanism that not only pushed the country into a economic depression, but as well fostered a TNC controlled economy. Argentina's reserves and payment balances at the moment are the result of a combination of policy decisions and a strong current account surplus – a product of the good performance of the exporting economy. The CER which is a policy instrument of *Exchange rate Mercantilism*, supports export competitiveness by buying dollars in local currency markets to appreciate the value of the dollar versus the peso, and this

is what makes available to the Central Bank's reserves the dollars acquired in this transaction. At the same time, dollar surpluses in the economy are the result of the trade surplus that the CER support and thus establish the mercantilist cycle that is highly criticized by neo-classics economists and international organizations (Ibid;2007).

The Argentine current accounts enjoyed an average 7 billion surplus between 2004 and 2010, which had been possible due to the 11 billion average trade surplus experienced over the period (INDEC;2010). The conclusion of the balance of payments deficit, ended with the 'external restriction' of IFIs loans in order make accumulation possible in Argentina. It was this, in essence, which allowed Kirchnerism to establish more international autonomy, regain sovereignty against multi-lateral organizations and pursue an economic governance that contradicts the guidelines of the 'Washington Consensus'. This greater room for manoeuvre was reflected in the management of the 2009 global downturn. In this period, different to the situation that appertained during 1980s and the 1990s, the country had the possibility to execute counter-cyclical measures with a much wider margin than in the previous decades. This had the effect that, even after losing 30.2 of percent of its exports in the first six months of 2009, the country enjoyed the smallest economic contraction in Latin America (CIFRA;2010). The fact that the economy does not experience anymore payment unbalances, has curtailed the possibility that a global financial crisis will affect Argentina's economy by a lack of credit, plus a decline of exports, and reduces the impacts to only export decline. In this way, credit markets and IFIs have lost considerable coercive capacity upon Argentina, giving the country greater decision making power even in moments of crisis (Riggirozzi; 2009).

The literature on multilateralism proposes that multilateral economic organizations like the IMF will assume growing importance in a post-hegemonic order (Dunne, Kurki and Smith; 2007). It is from this standpoint that it can be argued that Argentina has gained 'developmental space' in recent years, since multilateral organization are having no role in the country's developmental path. An example of this greater 'developmental space' is that Argentina in recent years has imposed restrictions, through non-automatic import licenses to E.U. products, estimating in the 2011 European Union report on trade, that EU companies lose 147 million dollars the first six month of 2011 because of Argentina's trade restrictions. But beyond responding with a principle of reciprocity and implementing trade restrictions of Argentine products, Europe has no other mechanism to discipline Argentina's trade policy(EC;2012)The decline of the IMF coercive influence upon Argentina's policy decisions has clearly implied more international autonomy and greater sovereignty. But ironically this superior autonomy and developmental space rests on the good performance of the exporting sector and therefore, upon reinforcing Argentina's position as a commodity provider to global markets.

The oligopoly power that commodity exporting TNCs have upon Argentina's main exports, firstly, make these corporations key stakeholders in the development strategy of the country since industrialization, greater developmental policy space and social redistribution greatly rely upon these exporting sectors which are in their control. Secondly, it places the expansion of commodity exports and the TNCs that have control of these, as basically providing a necessary condition for the reproduction and the durability of the progressive project. The paradox of progressiveness in Argentina and the region is that, while it indeed represents a more social democratic form of capitalism, it is embedded in strengthening economic dependency and entails the countries subordinated integration into the global capitalist economy. In the next section I explore this paradox, by presenting the mechanisms of dependency upon which the situation of dependency in Argentina is resting.

### *The new Post-Neoliberal situation of dependency*

The post-neoliberal political economy has resulted in considerable improvements in relation to some socio-economic issues in Argentina. The fact that Kirchnerism re-took industrialization as a key aim of development and industrial output measure in sales growth of 380 percent from 2006 to 2011 and industrial employments of 23.5 percent from 2004 to 2010 is a respectable achievement (chart 2.x). Public expenditure quadrupled between 2003 and 2010 and social expenditure grew by 600 percent, which had a solid impact in lessening social hardships for disadvantage populations (chart 3.14). Added to the greater sovereignty the Argentine state is enjoying, if contrasted with neoliberal times, this makes these Kirchnerist hegemonic policies the spine of the structural achievements of the progressive project. However, the fact that the foreign earnings and export revenues are essential factors in the reproduction of these key policies, and that the inflow of these have been based in the commodity exporting economy, locates the post-neoliberal governance in the paradoxical position of strengthening economic dependency in order to assure the social democratic form of capitalism the progressive government represents. Argentina's position as a commodity provider has been reinforced during Kirchnerism. In 2006, the top 10 export products accounted for 63.9 percent of exports while among these top 10 exports, commodities accounted for 49.8 percent of national exports and 14.1 percent by industrial goods. In 2010, the top 10 export products accounted for 65.8 percent of exports and among the top 10 exports, it was commodities that accounted for 51.4 percent of national exports while industrial goods only amounted to 14.4 percent (Chart 3.16 and 3.17).

### Top 10 export products in 2006 (Millions of dollars)

|   |              |       |
|---|--------------|-------|
| <a href="#">Exports All industries</a>                                  | \$ 46,545,33 | 100%  |
| <a href="#">Mineral fuels, oils, distillation products, etc</a>         | \$7,110,557  | 15.2% |
| <a href="#">Residues, wastes of food industry, animal fodder</a>        | \$4,658,997  | 10.0% |
| <a href="#">Vehicles other than railway, tramway</a>                    | \$4,024,457  | 8.6%  |
| <a href="#">Animal, vegetable fats and oils, cleavage products, etc</a> | \$3,877,666  | 8.3%  |
| <a href="#">Cereals</a>   | \$2,954,694  | 6.3%  |
| <a href="#">Oil seed, oleagic fruits, grain, seed, fruit, etc.</a>      | \$1,960,614  | 4.2%  |
| <a href="#">Meat and edible meat offal</a>                              | \$1,430,247  | 3.0%  |
| <a href="#">Ores, slag and ash</a>                                      | \$1,373,151  | 2.9%  |
| <a href="#">Articles of iron or steel</a>                               | \$1,311,070  | 2.8%  |
| <a href="#">Plastics and articles thereof</a>                           |              |       |
| Top 10 export products as percentage of Total Export                    |              | 63.96 |
| Commodities among top 10 export products as share of Total Exports      |              | 49.95 |

Chart 4.17. Elaborated by the author using: *International Trade Centre. Trade Map: Argentina's exports 2006*

### Top 10 export products in 2010 (Millions of dollar)

| <u>Exports All industries</u>                                      |             |               |
|--|-------------|---------------|
|  | 68,133,476  | 100%          |
| <u>Residues, wastes of food industry, animal fodder</u>            | \$8,782,674 | 12.89%        |
| <u>Vehicles other than railway, tramway</u>                        | \$7,971,166 | 11.70%        |
| <u>Mineral fuels, oils, distillation products, etc</u>             | \$5,386,450 | 7.91%         |
| <u>Oil seed, oleagic fruits, grain, seed,</u>                      | \$5,337,870 | 7.83%         |
| <u>Animal, vegetable fats and oils, cleavage products</u>          | \$5,192,012 | 7.62%         |
| <u>Cereals</u>   | \$4,621,416 | 6.78%         |
| <u>Pearls, precious stones, metals, coins,</u>                     | \$2,251,674 | 3.30%         |
| <u>Miscellaneous chemical products</u>                             | \$1,924,559 | 2.82%         |
| <u>Ores, slag and ash</u>  | \$1,815,081 | 2.66%         |
| <u>Meat and edible meat offal</u>                                  | \$1,693,919 |               |
|  |             | 2.49%         |
| Top 10 exports Products as percentage of Total Export              |             | <b>65.86%</b> |
| Commodities among top 10 export products as share of total exports |             | <b>51.34%</b> |

Chart 3.17. Elaborated by the author using: *International Trade Centre. Trade Map: Argentina's exports 2010*

At the moment what we are witnessing in Argentina is a situation in which a more progressive form of post-neoliberal capitalism is generating a new dependency since it cannot find its essential dynamic components to assure capital accumulation under the new socio-economic arrangement inside its own economy (Cardoso and Falleto;1978). As was shown earlier, the commodity exporting economy has a vital role in the reproduction of Kirchnerism's main policies. The reality is, that the post-neoliberal economy can only expand as an expression of the expansion of commodity demand from the most dynamic global centres of capital accumulation - as was argued by Latin American *Dependentistas* a few decades ago (Dos Santos;1973).



Between 2006 to 2010, the segment of *Residues, wastes of food industry, animal fodder*, became the main export product of the country increasing its share of national exports from 10 percent of total exports to 12.8 percent. This represented an 88.5 percent or 4.1 billion dollars rise in its exports which were mostly possible by increases in soy pellet exports to Europe - in the case of Netherlands soy pellets represented 39 percent of Argentine imports, in the case of Italy 40 percent and for Spain 24.5 percent. In 2010, the EU was the third most important Argentine export market and these three countries accounted for 70 percent of Argentine exports to Europe (INDEC; 2011j).

The exporting segment of *oil seed, oleagic fruits, grain, fruits*, from being the sixth most important in the country in 2006, in 2010 had become the fourth most important. These products had increased their exports in 65 percent and their share of national exports from 4.6 percent in 2006 to 7.8 percent in 2010 and increased its exports to 3.4 billion dollars. In 2010, 77 percent of this segment exports were soybeans exported to China which, with a 300 percent rise in Argentine exports to this country between 2004 and 2010, makes China a recipient of 8.5 percent national exports. Another noteworthy export driver in recent years has been the segment of *pearls, precious stones, metal, coins*, that rose from exporting only 274 thousand dollars in 2006 and 0.060 percent of exports, was accountable for 2.2 billion dollars and 3.3 percent of total export in 2010. Half of this segment of exports (1.1 billion dollars) was for gold exports destined to Canada and another 20 percent were copper exports destined for Germany. Between them, the U.S. and Canada, E.U. and China in 2010 accounted for 43.2 percent of Argentina's export markets, which alongside Brazil, means these countries were accountable for 64.9 percent of Argentina's total exports this year (chart 3.18) Only soy pellets, soybeans and mining exports were accountable for 43 percent of exports growth from 2006 to 2010, and this reveals the weight that most dynamic capitalist centres still have as drivers of Argentina's commodities exports.

Brazil unquestionably is Argentina's chief export market, accountable for 21.7 percent of total exports in 2010 and exports to its MERCOSUR partner had increased in 157 percent from 2004 to 2010. But what is particular to the Brazilian case is that, rather than commodities being the main export product, the Brazilian market is the most important destination for Argentina industrial exports. The *vehicles other than railways and tramways* segment of exports, from being the third most important in 2006, with 8.6 percent of total exports, had become by 2010 the second most important accounting for 11.7 percent of exports. Over this period the value of this segment exports augmented by 3.9 billion dollars (17.70 percent of export growth over the period) and in 2010, 63 percent of this segment's exports were destined to Brazil.

The car manufacturing sector has been one of the main drivers of Kirchnerist industrial growth and the key export complex that has boosted industrial exports in recent years. However, the uniqueness of this process has been that in order for the automobile complex to grow at this rate, the commodity exporting economy has been reinforced in the last years, overall growing at a faster rate than car manufacturing sectors

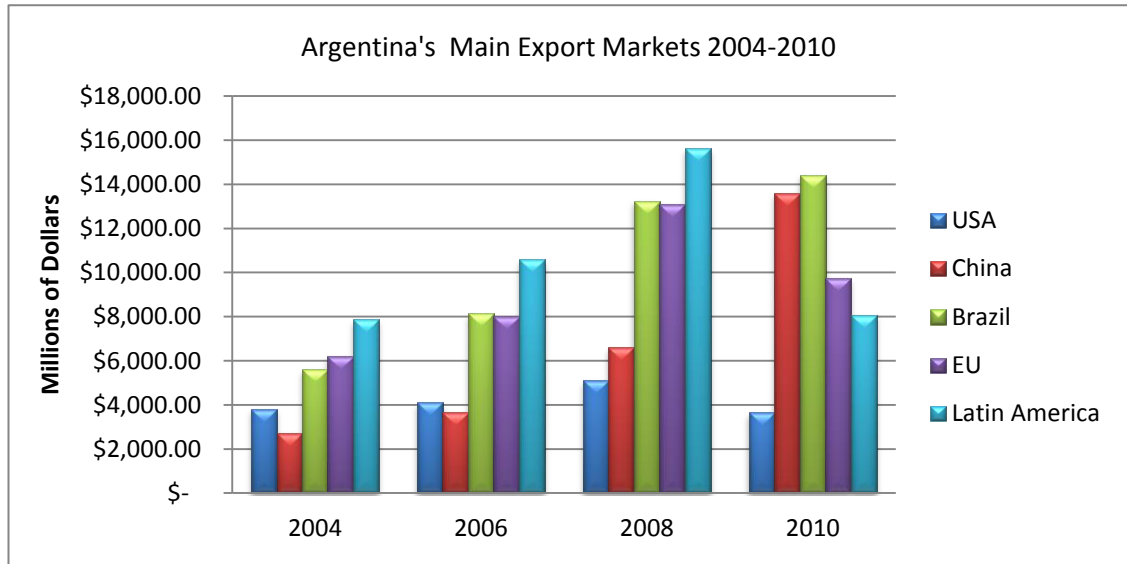


Chart 4.18. Elaborated by the author using: Anuario estadístico de la republica argentina 2008 and Comercio Exterior 2010 (INDEC; 2008 and 2011)

Of the exports products already mentioned, soy pellets, soybeans and mining exports were accountable for 43 percent of export growth between 2006 and 2010, while the vehicle sector was accountable for 17.70 percent. If cereals and soy oil are included, these five commodities exports products alone were accountable for 55.2 percent of export growth from 2006 to 2010, which adding the vehicles sector, means they provided in total 72.2 percent of Argentine export growth over this period. Without the dollars contributed by commodity exports, these project will face the 'external restriction' that during ISI or will have to fund dollar deficits by incurring considerable external debts just like during the neo-liberal period. With regards to the redistributive budget, this boost in commodity exports has been essential for its implementation because 85 percent of export revenues in Argentina are a consequence of agricultural commodity exports and only 15 percent are from mineral exports (AFIP; 2010). Hence, growth in commodity exports made available to a great extent the surpluses that sustained public expenditure and the fiscal surplus. In a similar fashion it has been the commodity boom, which has sustained the trade surplus and granted the government greater autonomy. Greater international autonomy is what mainly made possible market and trade restrictions, industrial subsidies, universal social policies, massive increases in expenditure and nationalizations.

At the moment the external vulnerability is embedded in the lack of foreign earnings, export revenues and the sustained trade surplus, which are the direct result of the commodity exports boom. Even with the positive socio-economic record of the project, the fact that the survival of the existing economy is ingrained in underpinning the country's role as a commodity provider means it has locked the post-neoliberal economy into reinforcing economic dependency.

The survival of the existing socio-economic governance is based on reinforcing the process of uneven capital accumulation between Argentina and old and new centres of capital accumulation, through the permanency of the commodity economy. The fact that Argentina has managed to overcome traditional external restrictions, such as foreign earnings scarcity, haven't changed the fact that the country still has to embrace its natural comparative advantage in order to sustain capital accumulation. As described by Cardoso and Falleto, the situation of dependency is the particular way in which the international capitalist economy (which its most dynamic centres are not in developing nations) impacts upon less developed economies (Cardoso and Falleto;1986). The fact that the existing political economy cannot be sustained by internal capitalist relations and is dependent on its commodity exports, expounds the essentials of how the international economy is impacting upon Argentina's development prospects by reinforcing its position as a low value added economy. It is in this dynamic, as was stated by Dussel, that we can find one of the mechanisms of Dependency that has arisen from post-neoliberalism. *Dependency* is an social relation of subordination based on the interaction in the international market between national total capitals of unequal organic composition in the framework of capitalist competition (Dussel;1990). Consequently, while higher value activities and capital goods production stay in developed economies, and low value added activities are relocated to developing economies, the capitals of higher organic composition absorbed a greater volume of value through its interaction with capitals of lower organic composition in the context of capitalist competition. In Dussel's approach to dependency, this is what generates the situation of dependent subordination of national capitals of lower organic composition to national total capitals of higher organic composition; it is the uneven value accumulation process in the international context of competing capitals trying to amass a greater share of global value (Ibid;1990) The higher industrial productivity rates that entailed capitals of higher organic compositions involved superior volumes of value extraction; therefore, even if commodity exporting complexes accumulate huge profits in Argentina, the total value accumulated is lower than the one accumulated by higher value activities in commodity buyers markets of industrial economies.

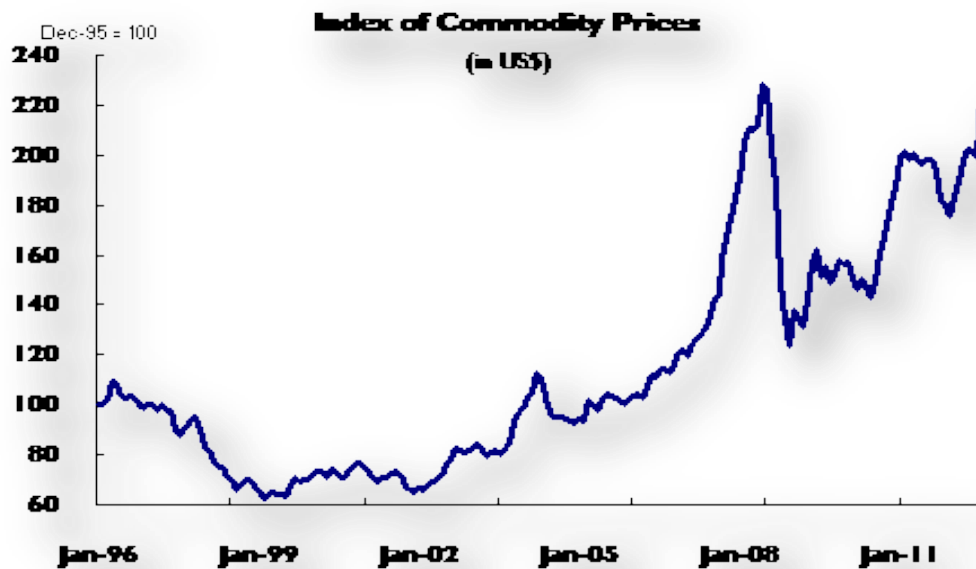
For instance, within Argentina's and China's commercial exchange, high value added industrial goods represents 64 percent of China's exports to Argentina, as compared to 3 percent of Argentine exports to China being industrial goods in 2010. In the case of the European Union, more than 64.5 percent of its exports are industrial goods, while merely 21 percent of products exported by Argentina to Europe are manufactured goods. In the case of the US, even if the proportion is lower, even here American's exports to Argentina are 50 percent industrial while only 32 percent of Argentina's exports to the U.S. are industrial goods (INDEC; 2011j). In 2010, China, the U.S. and the European Union between them amounted to providing 81.7 percent of capital goods and their replacements imported by Argentina.

Therefore, while for China, U.S. or Europe, Argentina represents the realization of high value added industrial commodities, Argentina under the current post-neoliberal political economy is locked into a low value added structure that reinforces its subordinated position in circumstances of global capitalist competition. During the period of neoliberalism, Argentina was integrated into the international capitalist system as recipient of FDI, privatizations and as a financial market. But with the end of this, and the return of state led national development, the country has been reintegrated to the international economy mostly as a commodity provider, which paradoxically makes the economic foundations of the progressive project a liability for economic development. This is because,- instead of trying to produce technology, engage in high value activities and promote an economy based in the relative exploitation of labour which will create a strong market - it supports a low value added production, technological dependency and an international incorporation on the basis of the country's natural competitive advantages.

The other existing mechanism of dependency is the power that commodity exporting TNCs have over the country's international trade. This, as was argued by Furtado, placed the decision making power of the developmental path or the economic strategy in the hands of a few TNCs (Furtado;1970). The disciplinary capacity of these TNCs, differently from IMF which lays in shaping policy, is in its power to condition and establish the boundaries of the existing capitalist organization. In order to maintain industrial policy, redistribution and to preserve certain developmental policy space, Kirchnerismo have tacitly supported the development of commodity exporting TNCs in Argentina. The alternative was to face the potential conclusion of the progressive project. In the agricultural exporting sector in 2008, just Cargill, ADM, Bunge Nidera and Dreyfus were accountable for 20 percent of Argentina's export (chart3.5). What makes it very complicated for the government to support, for instance, an agrarian reform that have been named as an important pre-condition in the in South East Asia industrialization process (Kay;2002)

The governance structures of the value chains of these TNCs means that overseas decisions could determine the prospects of the local commodity economy. Cargill for instance, operates in 88 countries around the world, employs over 88 thousand people and has economic interest in agricultural and mineral trade, oil, transport-logistic, agro-industrial food production, inputs production and fertilizers (Kneen;2002). The global extension Cargill, makes decisions concerning Argentina's operations in relying on a global business strategy, on which local offices are just another commodities origination enclave, that barely have influence on what will happens in the long term with the country's operations. In contrast, Cargill was accountable for 6.3 percent of Argentina's total exports in 2008 (Wasilevsky;2009). As only a single company, this makes this conglomerate a very important stakeholder in the country's export revenues and foreign earnings inflows and therefore in the survival of the progressive project

The will of the Argentine progressive government and others in promoting a new continentalism in Latin America, rooted in values of national self-determination and regional development, is illustrated by institutions such as UNASUR as well as by the prospects the creation of the Bank of the South. These developments clearly denote the fact that the new Left is aware of the restrictions of the current economically dependent position of the region within global markets, but in practice they are trapped in its very own contradictions. The fact that the New Left is being funded by the exporting commodity economy, brings previous issues related to development and dependency back again onto the agenda of debates regarding the Left and social transformation in Latin America just like in previous decades. For instance, a substantial decline in international prices will jeopardize the future of the hegemonic policies in Argentina discussed above making the New Left quite vulnerable in the long term. Even if in recent years the terms of trade have been favourable for Argentina's exports, volatility in commodity markets could make them decline sharply in a short time. This happened between 1996 and 1999 when the Central Bank Commodity Prices Index declined by 40 percent. There was a similar sharp decline in 2008-2009, when the index went from 240 to 130 percent within a year (Chart3.19). With the present public spending pattern, international price falls of this kind will make progressiveness unsustainable and, again, Argentina will very likely face ISI kinds of restriction or need to increase external debts as in neoliberal times. Another issue still relevant is that surplus drains to developed economies are still substantial under post-neoliberalism. Under Kirchnerist governments between 2005 and 2010, 74.3 billion dollars have been transferred to developed countries as external debt payments (32 billions), TNCs dividends (32 billions) and interest on debts (10 billion) amounting to an average of 14.8 billion dollars year<sup>4</sup> percent of Argentina's GDP in 2010(ECLA;2011)



4.19 Source: Index of Commodity Prices, Argentine Central Bank

Issues related to economic development and dependency are very pertinent to an understanding of the paradox on which rests the existing progressive project in Argentina. The situation of dependency at the moment is one on which a more progressive post-neoliberal organization of capitalism is reliant on strengthening dependency through the unequal accumulation of value and the subordinated place of a low value added economy in the international capitalist hierarchy. In this way there is transference of influence to TNCs and support for the asymmetrical parameters of capitalist competition established by the AoA regime. As the Latin American cases showed, this does not deny the possibility of growth, but hinders the chances for the expansion of the productive forces and of economic development. Recent industrial growth, if an achievement, is still subordinated to the expansion at a higher rate of the commodity economy. If something can be learned from Japanese and South Korean experiences, it is that economic development is about catching up in the process of technical production, which allows relative exploitation of labour, stronger internal markets and the growth of indigenous capitals. The national bourgeoisie as the leading force of Kirchnerism for instance, because of the importance of agrarian exports, seems to find it difficult to promote land reform, which in the case of South Korea (Kay;2002) and of Japan (Karshenas;2004) were pre-conditions to industrialization. On the other hand the state in Argentina does not have the relative autonomy of the Chinese state to guide a development process or the surplus populations. The Brazilian experience is the closest case, but even here, industrial growth in Brazil was guided by a military government willing to repress labour, within the developmental space of the GATT trade regime and with active state intervention as part of regional and national planning that lasted for decades (Evans; 1979). What under current circumstances, leave Kirchnerism with very little room of manoeuvre.

Apart from the pre-established limitations Argentina faces in respect of its economic development, the latest situation of dependency is a contributing factor to the process of economic dependency. But, paradoxically, this is happening in the name of the new Latin American progressive Left in order to offer citizens the best living standards for the whole population the country has had since before the 1976 military coup. To obtain a better understanding of this paradox, I will use the main exporting complex of the country as a case study in the following chapters in order to expand on how the mechanism of dependency and the new situation of dependency in itself operate in a particular economic sector. The next chapter explains the historical evolution of the soy-agro-industrial complex, aiming to show how the country has been asymmetrically incorporated into the international economy under the guidance of a few TNCs which form part of this complex. It goes on to show the extent of dependence of Kirchnerism on the resources generated by the soy economy, and the way in which the government implicitly supports the soy economy despite the socially disruptive effects this is having in rural regions.

*Conclusion:*

The commodity exporting economy's vital importance for the reproduction of key hegemonic policies for Kirchnerism - as represented by industrialization, redistribution and sovereignty - provides an indication of how the essential need of commodity exports to assure the progressive project is actually reasserting economic dependency. The situation of dependency is one in which progressiveness is directly dependent upon an underpinning mechanism of dependency such as unequal accumulation of value, transferring decision making power to TNCs and relying in dynamic capitalist economies commodity demands to sustain the present organization of capital accumulation. This, it was argued, constitutes the paradox for Argentina's progressive project, since the significant achievements of the administration are at the same time reinforcing Argentina's position as a dependent low value added based economy in the global capitalist market.

The fact that, even after declines in crude oil exports and considerable increases in industrial exports in 2010, the commodity exports among the main exporting complexes were higher than in 2005 is a signal that under Kirchnerism the commodity exporting economy has been reinforced. And the fact that in 2008, only 5 TNCs exported 20 percent of exports and 14 TNCs contributed 38.5 percent of exports, indicates the new influence that these conglomerates could have upon the prospect of the project because they are the key holders of the foreign exchange and taxes that are so essential for the durability of the this post-neoliberal political economy. The fact that in 2008 it was the 17 billion dollars commercial surplus of agricultural products sector which was the one that supplied the foreign exchange needs for the 5.1 billion dollars deficit the car manufacturing, shoe and textile, electronic appliance and chemical industries accumulated in this year demonstrate how industrialization cannot found its essential factors within its economy. In the same way the role commodity exports taxes, which had represented at least 12 percent of the public budget since 2004 to 2010, in a context in which spending increased by 400 percent, makes commodity exports an crucial factor in sustaining progressive redistribution. And the commercial surplus fuelled by the commodity boom, in case of a decline, will end the current account surpluses that have granted Argentina the space to embrace a more autonomous economic policy.

The considerable achievements in industrial growth and increasing aggregate demand are indeed very positive accomplishments of Kirchnerism. However, these are still subordinated to the expansion of a higher rate of the commodity exporting economy and reasserting the low value added economy that confines the national economy to a subordinated and dependent position in the context of international competition.



Even if it could be quite difficult to dispute the fact that the post-neoliberal project is embracing a more progressive version of capitalism, the persistence of redistribution, industrialization and international autonomy it may be demarcated by the performance of commodity exporters.

## Chapter 5

### *Kirchnerism and the Soy Complex*

#### *Introduction:*

The importance TNCs controlled commodity export clusters have in the permanency of the post-neoliberal political economy illustrates the modifications in the balance of forces between the state and global stakeholders under the new governance arrangements. The fact that industrial policy is dependent on the foreign exchange generated by commodity exports, redistribution from commodity export taxes and commodity exports have been the main pillar in the current account stability which granted Kirchnerism greater autonomy, has made commodity exporting TNCs key stakeholders in the situation of dependency that has emerged in the post-neoliberal political economy. Apart from the pre-established limitations Argentina faces in respect of its economic development, the latest situation of dependency is a contributing factor to the process of economic dependency. But, paradoxically, this is happening in the name of the new Latin American progressive Left in order to offer citizens the best living standards for the whole population the country has had in the last decades. To obtain a better understanding of this paradox, I will use soy agro-industrial complex as a case study in order to expand on how the mechanism of dependency and the new situation of dependency in itself operate in a particular economic sector.

This chapter explains the historical evolution of the soy-agro-industrial complex, aiming to show how the country has been asymmetrically incorporated into the international economy under the guidance of a few TNCs which form part of this export complex. It goes on to show the extent of dependence of Kirchnerism on the resources generated by the soy economy to make possible the industrialization, redistribution and international autonomy policies, and the way in which the government implicitly supports the growth of the soy economy despite the socially disruptive effects this is having in rural regions. This reflects, it's argued, the reality that because Kirchnerism it's not being able to sustain this project without this sector, is willing to give this tacit support to the soy economy regardless if the social impacts are against the principles of social justice that the progressive project profess.

The first section examines the historical development of the soy agro-industrial complex in Argentina and its correlation with the changes to the WTO global agri-business model. The second section show empirically how the soy complex has a crucial role in the reproduction of the main hegemonic policies of Kirchnerism. In the last section I analyse the transformations that the Argentine agrarian economy has experienced in recent years as result of TNC-led

expansion of soy production, in order to reveal how the government have been accountable for the formation of the main commodity export complex in the country. This reflects the social paradox of the progressive government, since the sustainability of the progressive project is entrenched in its tacit support of TNCs in the soy sector and the social disruptions among peasant communities which are caused by this agrarian model. In order to illustrate this, this section presents how the soy economy it's affecting rural communities in the rural town of *Quimilí*, in the province of *Santiago del Estero*.

### *The Soy complex and Argentina's integration to the Global Agricultural Regime*

From the mid-1980s onwards, international agricultural business started to show essential changes. The winds of liberalization began their intuitional transition when at the Uruguay GATT negotiations in 1986, the United States requested the inclusion of an Agreement on Agriculture (AoA) within the trade liberalization agenda (McMichael;2004) The U.S request, sought to formalize at an international level the transition towards an agricultural international market, in which international commodity prices were to be decoupled from public subsidies (Baffers and Gorter;2003). This shift, aimed to push for a subsidy system that substitute 'minimum prices' schemes, which their objective was to increase agricultural producers incomes. Consequently, most programmes were linked to production (import tariffs, inputs subsidies, market price support and soft credits) making raw materials more expensive for agro-industrial producers and grain exporters. These polices guided U.S. and European post-war agricultural policies (Frideman;1993) and to lesser extent agricultural trade policies in most Latin American and African countries (Abbot;1967). However, IMF structural adjustment programs, WTO negotiations, plus the growing power of transnational agri-businesses, led to the conclusion of this producer oriented agricultural model. The WTO agreement on agriculture, institutionalized the end of producer driven agricultural value chains and instigated its replacement with a global consumer driven agricultural chain, which located transnational agri-businesses at the heart of international agricultural supply (Rosset;2006). The growth of transnational agri-businesses international market power started its consolidation under the U.S. Export Enhancement Program in the mid-1980s (GAO;1990). The program granted export subsidies to global traders for exporting 12 different selected agricultural products to particular targeted countries. Between 1985 and 1989, U.S. agri-businesses conglomerates exported to 65 countries in 5 continents and subsidized agricultural products in some cases by up to 125 percent of market price to national markets of the south which were still regulated by agricultural marketing boards. Only three of these conglomerates (Cargill, Continental Grains, Louise Dreyfus) exported over 50 percent of shipments and received half of the subsidies granted by USAD over this period (GAO;1990). This illustrates the degree of

concentration that has allowed these three, and a few more agri-businesses, to control global food supply at the present time.

The WTO Agreement on Agriculture and IMF structural adjustments had a crucial part in boosting the influence of global agro-industrial conglomerates. But the genuine power of these TNCs resides in its worldwide logistics, its knowledge of global markets trends, and its disposal of almost unlimited funds (Heffernan; 2000). In Argentina the extent of the expansion in the global power of these agro-conglomerates became plausible following the privatization of the ports in 1992. The privatization of ports, was part of Mennen's programme of reforming the Argentine state and the economy by placing international trade in the hands of the private sector (Estache and Carbajo;1996). Among the first ports to be privatized were the ones on the Parana upriver hydro-way in the province of Rosario, which have been historically the main arteries of Argentina's commodity trade. In 2008, 65 percent of grains, 94 percent of agricultural by-products and 90 of vegetable oils exported by Argentina were shipped from these ports (Hinrichesen;2010). The privatization of Parana hydro-way ports granted these conglomerates major logistic and cost advantages, transforming Rosario's ports in a few years to a major export platform for these conglomerates. Of the 20 ports/elevators in Rosario's section of the Parana river, 12 of them belonged to transnational agro-conglomerates by 2008 (*Ibid*;2010). With the establishment of these conglomerates in the upriver ports, the ports/elevators changed from being mostly trading posts, to becoming, in addition, industrial clusters for oil and by-products. This integrated agricultural production, industrial processing and international trade in a radius of only 300 kilometres. This converted Rosario's agro-industrial complex into a global soybean crushing platform under the leadership of a few transnational agri-business that integrated local agriculture to the TNC-led global agrarian model promoted by the WTO.

Other important factors for the early expansion of the influence of agro-industrial TNCs in Argentina, was the abolishment of the 'Junta Nacional de Granos' and similar agricultural regulatory institutions. The legal obligations of the 'Junta' consisted of the administration of ports/elevators and public silos, the regulation of agricultural trade in accordance with the best interest of producers, and the function of acting as an international trader by importing or exporting agricultural related goods (Ferrari and Martinez; 2008). In harmony with the post-war agricultural model, the main objective of the 'Junta' was to provide mechanism that could grant some 'prices support' to producers through some degree of subsidy, but mainly through the regulation of international agricultural trade (*Ibid*;2008). The end of price supports program, trade regulations and trade competition from a public monopoly, gave global agri-business a free hand to take over Argentine international grains supply.

The end of the 'Junta de Granos' was well received by large producers that saw state intervention as an impediment to their full integration into global markets. In the case of soybean producers, the policy entailed a reduction of export taxes from a rate of 44 percent rate to 3.5 percent and for the rest of farmers it meant the abolition of export duties for all major crops (Deese and Reeder;2007). This policy established the basis for an tacit alliance amongst transnational agri-business, as holders of a pool of global customers and large agricultural producers, to become the only supply side agents capable of satisfying demand. On the other hand, over 100,000 small producers have disappeared since 1991 and agro-conglomerates influence turned Argentina's agrarian economy from one of food production and family farming, to one oriented to commodity production and agri-business agriculture (Giarraca and Teubal;2005). The liberalizing drive of Argentinean elites, along with the ambitions of large agricultural producers and the need of dollars to pay off the external debt, provided the ideal historical context for the growing influence of transnational agro-business. As explained by Christian Roca, gremial regional organizer in Rosario for *Federacion Agraria Argentina* (FAA):

'Multinational companies and everything that have to do with exports, influence this process very strongly. First in the expansion of soy, in the commercialization of soy and indirectly in the expulsion of small/medium producers from production...The introduction of soy and bio-technology lead to a concentration and system of monoculture. Argentina stopped being a wheat producer to becoming a soy producing country...With the neoliberal phase, in which big multinational were linked to exports-but also to seeds, agro-chemical and scale production... the objective was to produce more regardless of who was producing.. For them it was the same as if it was an investor's pool or big companies with no relation to the rural sector, which are mainly businesses, leaving aside small producers. All this started form the 1990s onwards'

The soy complex consolidation process in Argentina, commenced after the authorization of the use of genetically modify RR soy seed by the national congress in 1996. From this moment onwards the use of the 'technology package' (which is how it is called in Argentina) to the combined use of GM seeds, glyphosate (Roundup) and direct tillage, became essential for soybean production. The 'technology package' in 2010 was estimated to be used in 98 percent of soybean production and if compared with 1997-98, it meant that by 2010 production had risen by 181 percent (chart 5.1)

China's liberalization of soybeans imports and Brazil's removal of industrial deferential taxes for oil processing industries (Peine;2009) in 1996 as well, were two additional essential factors behind the soybeans boom. By 2001, China's trade protection for soy imports was only 16 percent which had fallen from nearly 50 percent in 1996. Additionally, with the exception of 3 percent tariff and 13 percent value-added tax, there were almost no barriers to soy trade by 2001(Huang;2004) As early as 1997, China passed from not being listed among the main five export markets for Argentine soy oil exports between 1993 to 1996, to becoming the main buyer of Argentine soy oil production. In a similar fashion, by 1999, China had become the

main export market for Argentinean soybeans with a 28.6 percent share of soybeans export. By 2003, China still was Argentina's soybeans main export market, but with a 67.17 percent share of total soybean exports (Pérez;2007). In the case of Brazil, this transfer of TNC's new investments in crushing plants to Argentina is still up until the present day in receipt of an industrial subsidy in the form of government grant for agro-industrial processors. As consequence, Brazil passed from having 26.7 percent more seed crushing capacity than Argentina in 1993 and to having 19 percent less capacity in 2001(Goldsmith,Li,Fruio and Hirsch;2004) For instance, the crushing plants installed in Parana upriver hydro-way, boosted crushing capacity from 7.7 million tonnes in 1991 to 25.4 million tonnes by 2003, a 230 percent total increase(Vilella;2010) This made Argentina's soy complex the most advanced soybean seed crushing platform worldwide. With theoretical crushing capacity per plant of 4,070 tonnes, which represents 1,889 tonnes more than plants in U.S. and 2,586 tonnes more than plants in Brazil(ibid;2010).

### The Soy Complex's Economy 1997-2010

| Marketing Year | Hectares<br>( In soybeans) | Production<br>(In tonnes) | Yields<br>(Ave. per hectare) | Crushing<br>(tonnes a year) | Soybean oil<br>(tonnes a year) |
|----------------|----------------------------|---------------------------|------------------------------|-----------------------------|--------------------------------|
| <b>1997</b>    | 7,176,259                  | 18,732,172                | 2.6                          | 10,470                      | 1,869,522                      |
| <b>1998</b>    | 8,400,000                  | 20,000,000                | 2,4                          | 15,307                      | 2,696,765                      |
| <b>1999</b>    | 8,790,500                  | 20,135,800                | 2,3                          | 17,058                      | 3,093,442                      |
| <b>2000</b>    | 10,66,330                  | 26,880,852                | 2,5                          | 16,952                      | 3,097,273                      |
| <b>2001</b>    | 11,639,240                 | 30,000,000                | 2.6                          | 18,274                      | 3,388,056                      |
| <b>2002</b>    | 12,606.845                 | 34,818,552                | 2.8                          | 21,394                      | 3,973,068                      |
| <b>2003</b>    | 14,526,606                 | 31,576,751                | 2.2                          | 24,295                      | 4,555,662                      |
| <b>2004</b>    | 14,400,000                 | 38,300,000                | 2.7                          | 24,230                      | 4,570,718                      |
| <b>2005</b>    | 15,364,574                 | 40,567,936                | 2.6                          | 18,827                      | 3,536,204                      |
| <b>2006</b>    | 16,134,838                 | 47,460,936                | 2.9                          | 32,732                      | 6,161,554                      |
| <b>2007</b>    | 16,141,337                 | 47,482,786                | 3.8                          | 36,264                      | 6,962,675                      |
| <b>2008</b>    | 16.603,525                 | 46,238,087                | 3.6                          | 31,668                      | 6,024,101                      |
| <b>2009</b>    | 18,328,05                  | 30,993,379                | 2.6                          | 30,281                      | 5,772,026                      |
| <b>2010</b>    | 18,343,272                 | 52,677,371                | 3.8                          | 36,818                      | 7,000,075                      |

Chart 5.1-Elaborated by the Author using: Grass and Hernandez;2009 and CIARA database

Even if these structural changes created the conditions for the expansion of the soy complex in 1990s, it wasn't until the conclusion of the peso/dollar currency peg, and particularly after the CER regime, that Argentina consolidated its position as one of the main global exporters of soy products. The currency devaluation and CER policy granted to both transnational exporters and producers special conditions for boosting their profits. For agro-industrial conglomerates a devalued exchange rate have meant production cost reductions in its industrial operations, making the processing of by-products even more profitable than in the past and more attractive for investments.

For example, between 2000 and 2010 soybeans crushing in Argentina raised by 117 percent, soy oil exports by 460 percent and soy pellets exports by 300 percent. (CIARA;2010) From the soybeans producers' side, the devaluation meant that dollar/peso acquired debts were, converted into devaluated peso denominated obligations. That occurred in an economic sector that generated its profits at dollar denominated international prices, thus making accessible a huge amount of resources that could be invested in soybean production (CIFRA;2010).

The conclusion was that, from 2003 to 2010, soybeans production grew by 21,204 tonnes, while between 1997 and 2003 it increased only by 12,842 metric tonnes(Chart 5.1). These conditions, enabled the soy complex to increase from 3.8 billion dollars of exports in 2000 to 18.1 billion dollars in 2010 (a 376 percent increase)(chart 5.2). By 2010, the complex was responsible for 27 percent of the country's exports from being accountable for merely 14 percent in 2000 (chart 5.3). Between 2004 and 2010, Argentine total exports grew by 34.5 billion dollars (chart 3.1) From which 12.3 billion dollars or 35.5 percent were due to soy products exports. These figures not only make the soy complex the principal export cluster in the country, but also demonstrate that under Kirchnerism and not before, that the soy complex has reached this very high level of importance.

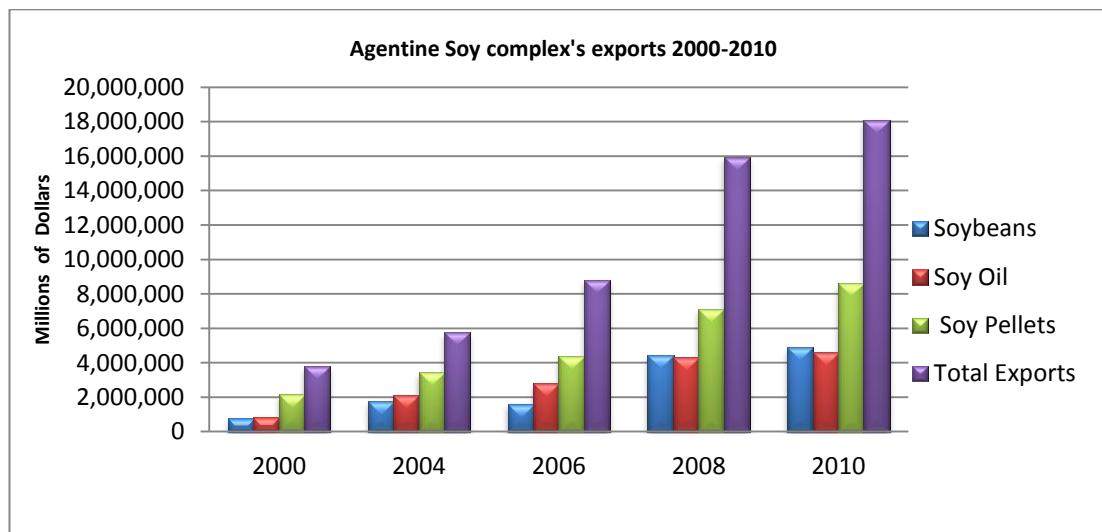


Chart 5.2 Prepared by the author using: INDEC 'Exportaciones del complejo soja (2007 to 2010) and CIARA, Volumen y Valor de las Exportaciones Argentinas del Complejo Oleaginoso de origen vegetal. 1988-2007

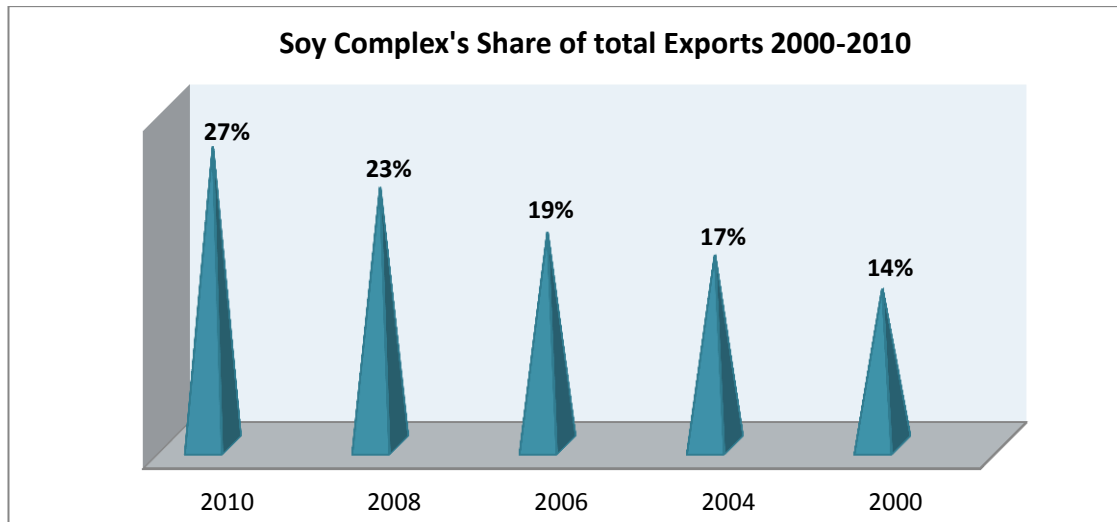


Chart 5.3- Prepared by the author using: INDEC *Exportaciones por complejos exportadores* (2000-to 2010)

In a short time, Argentina became a leading soy producer and exporter. In 1970, merely 36 thousand hectares were assigned for soy harvesting in Argentina, while this was 1.7 million hectares in Brazil and 17 million in the U.S. (Schnepf, Dohlman, Bolling, 2001). In 1993, this figure was of 5.3 million hectares, in 2000 it was 10 million hectares and by 2010 it had become 18.6 million hectares (CIARA, 2010). This represents 60 percent of the total of 31 million hectares used in the country for all agricultural purposes. In the 1990s, Argentina became the world's leading exporter of soy oil and pellets garnering, respectively, a 30 and 22 percent market share of world trade. By 2006, Argentina's soy complex's share of soy oil and soy pellets global trade was, respectively, 56 percent and 46 percent, followed by Brazil's soy complex with, respectively, 23 and 22 percent and the US soy complex with, respectively, 8 percent and 14 percent. These three countries in 2006, controlled 86 percent of soy oil global supply and 82 percent of the soy meal global market. (Chart 5.4).

In 2010 crushing increases in EU-27 and Paraguay changed the figures slightly, but without changing the tendency. In 2010 these three countries exported 81 percent of soy oil international supply and 85 percent of the global supply of soy pellets. The increase in the degree of concentration of world exports of soy pellets to 85 percent among top exporters, meant for Argentina a 2 percent global trade share growth (Chart-5.4). In only a decade, Argentina's soy complex has become the leading global export cluster of soy oil and pellets, accountable for capturing 98 percent of growing international demand of soy based oil between 1996 and 2008, and 95 percent of soy pellets growing international demand (Villella; 2010). In Argentina, soybeans production increased by 278 percent over this period, compared with 151 percent in Brazil and only 19 percent in the US (Ibid; 2010).



This has meant a 158 percent growth in agricultural land used to produce soybeans, epitomizing the solidification of a commodity oriented agricultural model in the country, under the export-driven urge of transnational agri-business.

By 2007, the soy complex had a direct contribution to the country's GDP of 9.9 percent, from which the industrial sector of the complex accounted for 6.30 percent of the national GDP (Luciano and Costa, 2010). In 2007, the soy agro-industrial chain was accountable for 5.5 percent of national value added (Ibid;2009) and it is estimated to employ 120,000 thousand people between direct and indirect jobs (CIARA; 2009). An important factor to consider is that the core of the soy complex economy is in Buenos Aires province, Santa Fe, Cordoba and other regions in which the economy is not based in industry or as diversified as it is in the Buenos Aires federal district, which make it the centre of the local economy what it's not accounted in the present contributions to GDP impact estimations. But the fundamental importance of the soy complex for the reproduction of the progressive project, does not lay in its contribution to the economy's GDP, but in its strategic importance as a provider of foreign exchange and public tax revenues. Those, as the following section show, are essential for the sustainability of main hegemonic policies of the post-neoliberal economy and to a great extent exemplify the situation of dependency that arose from the progressive project's incorporation into the global economy.

### *Kirchenrism, Soy Economy and the new Dependency*

#### *Soy complex and industrialization*

As previously addressed, commodity exporters have had a vital role in providing the foreign exchange required to assure recent industrial growth. Among these commodity exporters the soy complexes have contributed a critical share of this foreign exchange. In 2009, the oleaginous complex which consists of the soy and sunflower complexes exported over 15 billion dollars and imported 470.2 million dollars, contributing 14.5 billion dollars in foreign earnings to the economy (chart-4.5). This year the soy complex alone exported 12.9 billion, assuming that all the imports of the oleaginous complexes arose from the soy industry, then the soy complex contributed this year with 12.5 billion in foreign exchange. The foreign earnings generated during this year by the soy complex, were enough to pay in US dollars the whole 8.6 billion of capital goods imported that year and 54 percent of the 7.2 billion of capital goods replacements imported that year. Industrial sectors as parts manufactures for vehicles, which had a 1.4 billion dollars trade deficit this year and manufactures of general purposes machinery which had a 1.4 billion deficit, were viable only because of the influx of dollars the soy cluster trade surplus made available.

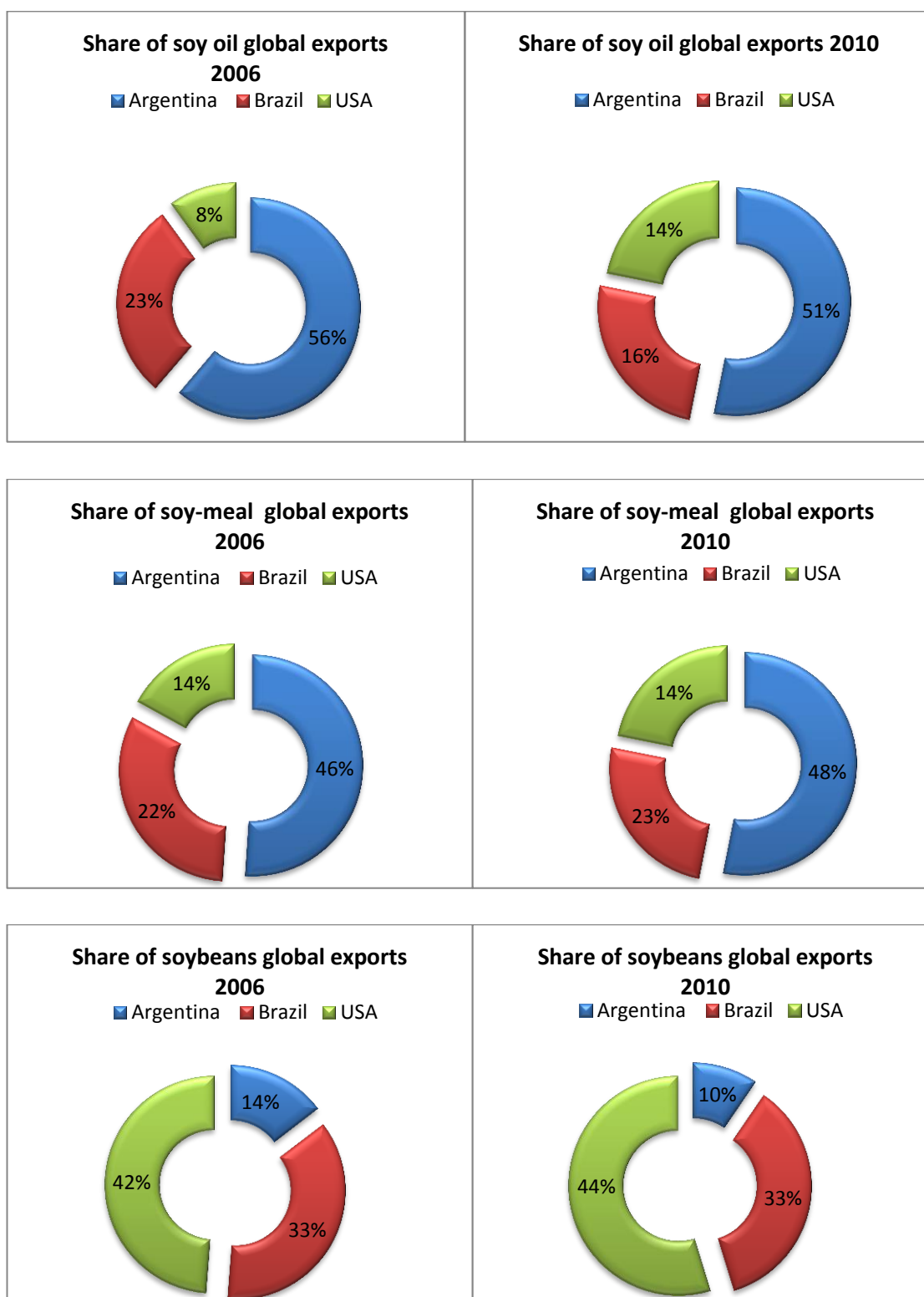


Chart 5.4-Source: 'Oilseeds: World Market Trade'; 2011, USDA

An analysis of the 2010 scenario makes clear the weight of the complex as a net foreign exchange contributor. In that year the soy complex contributed with a total of 17.8 billion in foreign exchange to the economy (chart-4.6). These foreign earnings were enough to pay in dollars the whole 11.4 billion dollars capital goods imports and 49.1 percent of the 11.6 billion dollars in capital goods replacements imported this year.(chart 3.8) Since 2010 was an exceptionally good year for industry, capital goods imports increased by 25 percent and capital goods replacements by 38 percent, making a total of an extra 7.2 billion dollars needed in order to cover the cost in U.S. dollars of these fixed capital imports. In 2010, the soy complex's foreign earnings contribution to the economy growth was 4.2 billion dollars; they were equal to 58% of the increase in industrial imports in 2010. Without this exceptional contribution of dollars to the economy by the soy complex the outstanding year which 2010 was for industry would never have happened. At the very least, this contribution meant the avoidance of incurring in external debt or facing a 'stop and go' cycle again.

Another important aspect of this prerequisite of foreign exchange generated by the soy complex in order to achieve industrial growth, is the fact that if industrial output is to be doubled by 2020 as stated by the industrial plan 2020, it is estimated that the trade surplus should increase to 28 billion dollars by 2020 from the 12 billion reported in 2010(Industrial plan2011). As the most competitive exporting complex of the country, which is responsible for 27 percent of national export and exports equivalent to 300 percent of the trade surplus in 2010( charts 4.1; 5.1; 5.2) to achieve a 28 billion dollars trade surplus by 2020 will be implausible without a significant expansion of the soy complex exports. Specially, this is the case when the pillars of industrial strategy are ISI in low to medium technology goods and in an 'upgrading' strategy from semi-industrial commodities processors to industrial products producers in small and medium firms (*Ibid;2011*). The relative small size of these firms will make them consumer rather than dollar contributors in relation to its trade balances. This is particularly important when 'upgrading' or import substitution industrialization strategy, as is outlined in the plan, is rooted in increasing fixed capital. The main industrial cluster of the country, automobile manufacturing, has an output growth in 356 percent from 2002 to 2010, and in 2010, its hard currency deficit was 5.8 billion dollars. If the main industrial cluster in the land encounters these limitations, it is unlikely that smaller firms will overcome it. Industrialization by its very nature involves an aggregate investment much higher than any other economic activity. The developing south has to upsurge industrial capital, as capital goods consumers rather than producers. Therefore, commodity exporters in general are the 'guardians' of the industrialization free from the external debt aimed for by Kirchnerism.

## Oleaginous' Complex Trade balance 2009

| Oleaginous Complex* | Exports             | Imports          | Trade Balance       | Soy Complex        | Exports             | Imports**        | Trade Balance       |
|---------------------|---------------------|------------------|---------------------|--------------------|---------------------|------------------|---------------------|
| <b>2009</b>         |                     |                  |                     |                    |                     |                  |                     |
| <b>Seeds</b>        | \$1,989,612         | \$421,427        | \$1,559,185         | <b>Soybean</b>     | \$1,675,490         | \$421,427        | \$1,254,063         |
| <b>Oils</b>         | \$4,479,045         | \$44,506         | \$4,434,539         | <b>Soy Oil</b>     | \$3,261,210         | \$44,506         | \$3,216,704         |
| <b>Pellets</b>      | \$8,621,005         | \$42,480         | \$8,578,542         | <b>Soy Pellets</b> | \$8,053,027         | \$42,480         | \$8,010,547         |
| <b>Total</b>        | <b>\$15,089,662</b> | <b>\$470,213</b> | <b>\$14,572,266</b> |                    | <b>\$12,989,727</b> | <b>\$470,213</b> | <b>\$12,519,514</b> |

Chart 5.5: Prepared by the author using: *Comercio Exterior de Argentina* (INDEC;2010)

## Oleaginous' Complex Trade balance 2010

| Oleaginous Complex* | Exports             | Imports           | Trade Balance       | Soy Complex        | Exports             | Imports**         | Trade Balance       |
|---------------------|---------------------|-------------------|---------------------|--------------------|---------------------|-------------------|---------------------|
| <b>2010</b>         |                     |                   |                     |                    |                     |                   |                     |
| <b>Seeds</b>        | \$5,337,873         | \$83,127          | \$5,254,460         | <b>Soybean</b>     | \$4,885,895         | \$83,127          | \$4,772,768         |
| <b>Oils</b>         | \$5,192,011         | \$73,355          | \$5,118,660         | <b>Soy Oil</b>     | \$4,605,766         | \$73,350          | \$4,598,431         |
| <b>Pellets</b>      | \$8,782,668         | \$60,754          | \$8,721,915         | <b>Soy Pellets</b> | \$8,614,168         | \$60,754          | \$8,613,414         |
| <b>Total</b>        | <b>\$19,312,572</b> | <b>\$ 217,236</b> | <b>\$19,095,336</b> |                    | <b>\$18,105,830</b> | <b>\$ 217,236</b> | <b>\$17,888,594</b> |

Chart 5.6: Chart 4.5: Prepared by the author using: *Comercio Exterior de Argentina* (INDEC;2010)

## Soy by-products as Share of MOA Exports

|  | 2006         | 2008         | 2010         |
|--|--------------|--------------|--------------|
| <i>Soy Oil</i>                                   | \$2,152,137  | \$4,895,929  | \$4,605,766  |
| <i>Soy Pellets</i>                               | \$4,362,540  | \$7,127,455  | \$8,614,168  |
| <i>MOA total Exports</i>                         | \$15,244,00  | \$24,054,000 | \$22,666,000 |
| <i>Soy's MOA exports</i>                         | \$7,152,137  | \$12,023,384 | \$13,219,934 |
| <i>Soy's by-products as share of MOA exports</i> | <b>46.9%</b> | <b>49.9%</b> | <b>58.3%</b> |

Chart 5.7: Prepared by the author using: *Oilseeds: World Market Trade* (USDA; 2011)

Another important contribution of the soy complex to industrial growth, has been its own increases in industrial output. From 2006 to 2010, the sector boosted its industrial output by 6 billion dollars, to an 85% increase over this period (chart-4.7). Over this same period the soy agro-industrial platform accounted for 78 percent of manufacturing from agricultural origins (MOA) industrial output growth and, in 2010, the soy complex exported 58 percent of the country's MOA exports, while in 2006, this figure was only 47 percent (chart-4.7). Even if the industrial activities of soy by-products processing are of low value and its prices are still determined by international commodity prices, its contribution to MOA industrial output make the oil processing complex a fairly important player in the industrial sector.

The surplus of dollars available in the economy has allowed Argentina, after a gigantic default, to be capable of financing its credit and hard currency needs without incurring external debt. At the same time, it has allowed industry to experience sustained growth without facing a 'stop and go' phase as in previous decades. During the ISI period, the 'stop and go' phase was mainly the result of the fact that the agricultural sector was unable to achieve sustained exports at an increasing rate and at the same time, satisfy internal demand for wage goods (Diamiant;1972). In the current scenario the fact that soy is not consumed in Argentina, has transformed the soy export complex into a net generator of foreign earnings, that is not constrained by the limits that internal demand could impose on exports. Even after the momentum that soy biodiesel production has enjoyed in recent years, internal consumption of soy still represents less than 5 percent of production and in any case bio-diesel production is mostly exported (INDEC;2011a). This gives the soy export cluster an important place as a contributor of foreign earnings since, not only could it keep increasing exports and subsidizing industry without affecting wage good supply, but it can do this without the risk of the social upheavals that high prices or shortages in national markets of wage goods has caused throughout Argentine history (De Pablo, 1975). In this way, the amount of dollars available for industrialization are not subjected to social pressures from the grassroots, an essential factor for the hegemonic policy of industrialization embraced by the 'national popular' government.

The other way in which the soy export complex contributes to surpass the symptoms of the 'stop and go' cycle of the ISI period has been the sustained increases in soy by-products prices in recent years, which permit an increase in foreign earnings inflow, without significant increases in the volume of exports. In 2006, a tonne of soy oil was sold at international markets at \$599 dollars, in 2008 at \$881 dollars and in 2010 at \$1,005 dollars. For soy pellets, in 2006 a tonne was sold at \$209 dollars, in 2008 at \$307 and in 2010 at \$378 dollars (World Bank;2006,2008,2010). Because of this, dollar surpluses haven't necessarily being conditioned to production hikes, but rather to increases in international prices, what means that a fairly stable volume of exports has been contributing a higher rate of foreign earnings.

The high profitability of soy products in international markets, apart from contributing to industrial policy, has also shaped decisions in other policy areas. The next section shows how the export revenues coming from the soy cluster, have been vital to assure the ‘fiscal freedom’ needed to pursue the current re-distribution agenda and how export tax increases under Kirchnerism, have been guided by soy’s international prices.

*Soy complex’s tax revenues contribution and the redistributive budget*

The soy complex exports’ tax revenues contribution to the Argentine public budget, increased from 1.5 billion dollars in 2004 to 6.1 billion in 2010 (chart 5.8). This 306 percent growth, meant that the share of soy exports as part of total taxes collected from exports passed from being 25.1 percent in 2004 to 56.4 percent in 2010 (INDEC; 2004b and 2010c). Among exporters the second most important tax contributor is the cereal cluster. In 2010, this complex paid under 3 billion dollars in export revenues to the public (AFIP; 2010) less than half of those paid by the soy complex. In 2010, the soy complex financed 7.46 percent of government expenditure which if it is taken into account that cuts in Greece from 2009 to 2012, will represent 9.7 percent of primary expenditure (EC; 2012) gives an idea of the importance of the complex for the public treasury. For instance, between 2009 and 2010 fiscal year, public spending rose by 22 percent and social expenditure by 37 percent. This same year, export tax revenues raised 2.7 billion dollars, from which the soy complex was responsible for 56.7 percent. This extra 1.6 billion dollars made available by taxes on soy export this year, was equal to 10 percent of public expenditure increases and 13 percent of social expenditure increases (15.3 billion dollars and 12.1 billion dollars respectively). What this exposes is that soy complex exports fiscal contribution can swing re-distributive policy more than any other corporate player in the country. It is important to remind ourselves that it was only when export taxes were re-introduced in 2002 that public finances began to enjoy a surplus. In 1999, export duties represented 0.5 percent of the budget. Meanwhile in 2008, this represented 16.7 percent of the budget when soy export revenues were accountable for 9.7 percent of the public budget this year. (chart 4.13)

The fiscal surplus has been vital in providing the government with the necessary economic space that has made possible advances in its re-distributive agenda. One of the main reasons for this, is that this has allowed economic re-distribution without affecting capital accumulation. In a capitalist economy, social policies are subordinated to the sustainability of accumulation (Esping-Andersen; 1990). Even if internal consumption is at the heart of the growth strategy of the government, the public surplus gives the government the opportunity to increase social expenditure, without the need to choose between social spending and spending targeted to reassure economic growth (capital accumulation).

It is in this sense that soy export revenues became essential for the re-distributive agenda. Since, in a theoretical situation in which soy international prices decline to the level of 2006 (beans \$269, pellets \$206 and oil \$599) this implies a loss of approximately 3.6 billion dollars for the public in export tax revenues if contrasted with the figures of 2010 (World Bank;2008). In that year soy export taxes were equivalent to 101 percent of the fiscal surplus, with this theoretical loss and without an increase in the volume of soy export, the surplus would shrink by two thirds to below 2.3 billion dollars. What this could potentially mean, is that the conclusion of social expenditure expansion and possibly as of the more social democratic policies of the project. But the steady rising trend of soy export international prices experienced in recent years, allowed Kirchnerism to preserve a fiscal surplus, even under conditions of significant increases of public expenditure. This makes soy exports' international prices, in certain ways, a determinant factor in the 'progressive' re-distributive agenda.

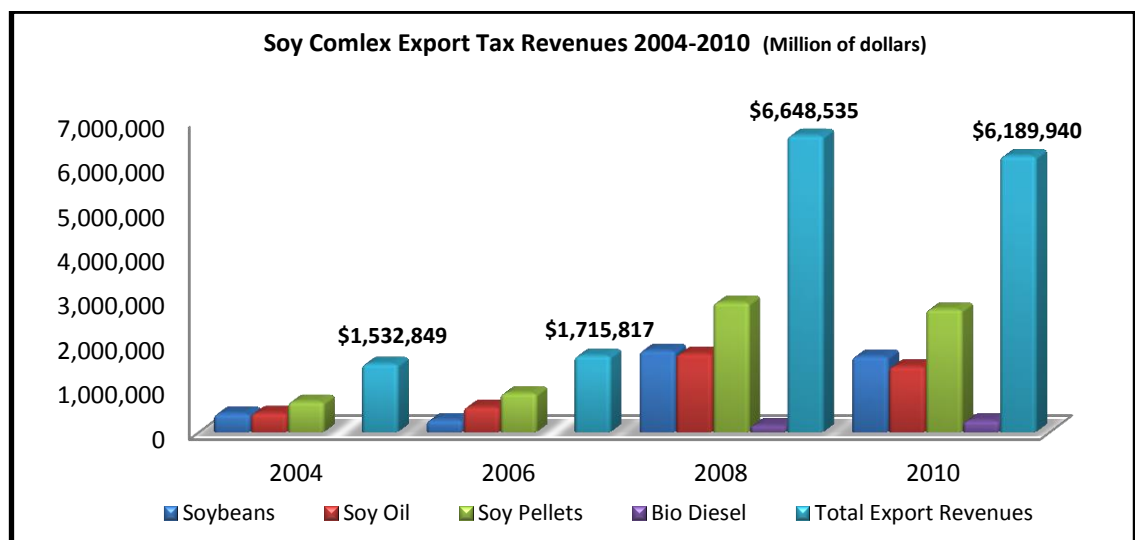


Chart 5.8- Calculated by the author using : '*Exportaciones del complejo soja* (2007 to 2010) and CIARA, *Volumen y Valor de las Exportaciones Argentinas del Complejo Oleaginoso de origen vegetal. 1988-2007*.

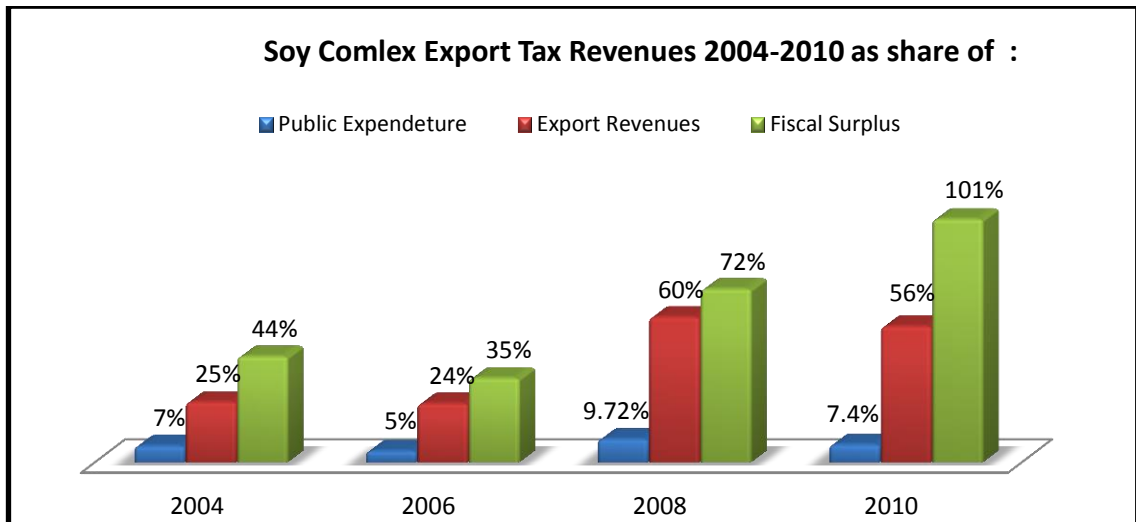


Chart 5.9- Elaborated by the author using: Chart 5.4; INDEC, *Ejecucion del Presupuesto Nacional 2004-2008 and 2010. Recursos tributarios corriente. 2004-2008 and 2010.*

The important part soy exports are having in supporting public finances is reflected in the fact that in recent years its share of total export taxes collected by the public and of the fiscal surplus has steadily increased. In 2004, soy products export tax revenues were 25 percent of total export revenues and 44 of the budget surplus. In 2008, these figures were 60 percent and 72 percent, respectively, and in 2010 57 percent and 101 percent (Chart 5.9) In 2010 for instance, any declines in soy exports tax revenues would directly hit the fiscal surplus, and this could be expected to affect in this hypothetical situation the allocation of resources for social expenditure. The export taxes collected by the public from soy exports in 2004, were equal to 80 percent of the budget allocated to *Asignación Universal por Hijo* in 2010 (1.7 billion dollars). In 2010, the soy exports taken alone could finance 3.8 times the monies assigned to this social programme this year. (Cogliandroy and Melamud ,2011)As stated by Ernesto Ambrosetti, the head economist of the Sociedad Rural Argentina (SRA) in an interview conducted by the author in late 2010:

‘With the level of public expenditure these governments have reached, it is impossible to abolish export taxes for this or the next government (after the 2012 elections). Even if I became the nation’s president tomorrow, I wouldn’t abolish export taxes on soy products. Maybe I would abolish it for wheat and corn, but not for soy. For soy, tax reductions would have to be divided in stages along a process of rationalization of public expenditure’

The fact that even the head economist of the corporate organization of the big land owners, which are the ones assuming the main financial burden, will not support an abrupt elimination of export taxes on soy products for fiscal reasons, even if he became ‘*the nation’s president*’, provides an indication of the importance the soy complex have for public finances. Inter-sectorial transfers of resources from agricultural activities to the public through taxation, have a long and conflictive history in Argentina.



The 'agrarian rebellion' of mid 2008 was the last chapter of the historical struggle between sectors of the 'industrial' vs. the 'agrarian' motherland. As the most lucrative agricultural exports in the country, soy became the central crop in the dispute between sectors in 2008 (Ortiz;2010). As in previous historical moments, the core of the conflict was about which sector would grasp a greater portion of the 'extraordinary' rent generated by the agrarian sector in the context of increasing international prices. In January 2007 the international price of soybeans stood at \$255 dollar per tonne. In November of this year the tonne was at \$389 dollars, March 2008 at \$495 dollars and in June (the peak of the conflict) at \$552 dollars. This is why soy products more than any other, became the iconic crops of 2008 'rural rebellion' (Gras and Hernadez;2009) and why Cristina Fernandez risked her political capital in a fierce struggle with the 'countryside' Given that, if the gamble of the 125 resolution worked out in the government's favour, this would have meant between 2007-2008 a 22 percent increase in soy export revenues and similar increases every time international prices reached this level. Monies that would, as has been done from 2003 up to the present day, subsidize industry at the expense of the agrarian sectors.

The international prices of soy products, have been an important factor in Kirchnerist's exports tax policy. It was in January 2007 that the government made public the first tax hike on exports from 23.5 to 27.5 percent (Chart-5.10). By November 2006, the Chicago Board of Trade (CBOT) future contract for soybeans was about 23 percent higher than the corresponding value of 2005 (FAO;2008). The second tax rate rise of 2007 to 35 percent was in November, when the international price of soybeans was 34 percent higher than in January, rising from \$255 dollars to \$384 per tonne in November (Chart-5.11). Given the upward trend in international prices, in March 2008 the government introduced the controversial 125 resolution. The government's proposal was to establish a floating tax rate that will be determined by international prices. With this proposal, soybeans export taxes at 2008 prices will pay 44.8 percent on export duties. If soybean prices are compared with wheat prices over this period it can be seen that in January 2007 a tonne of wheat was at \$196 dollars in international markets and a tonne of soybeans at \$255 dollars. In November, a tonne of soybean was sold at \$389 dollars and one of wheat at \$321 dollars. In March 2008, a tonne of soybeans was at \$489 dollars and one of wheat at \$342 dollars (World Bank;2009) This is a significant factor giving that it was only after 2008 that the government began to pursue more aggressively re-distributive policies. In 2008, soy products fiscal proceeds represented 9.7 percent of the public budget, if compared with its contribution in 2006 which was 5 percent of the budget, meaning they have nearly doubled their contribution following the government's export taxes reform.

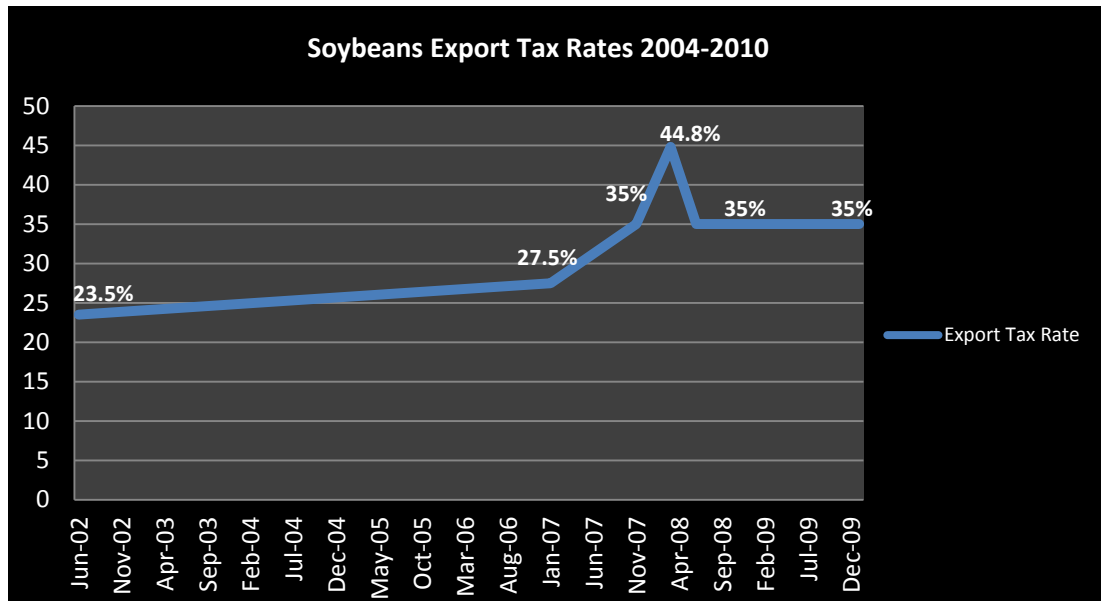


Chart 5.10; Elaborated by the author using :CIARA's Data base (2010)

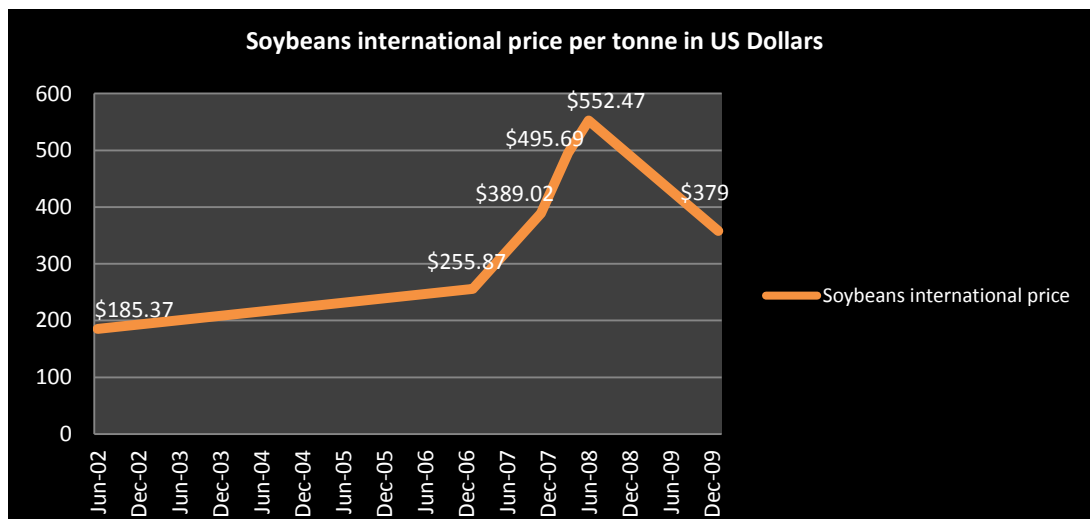


Chart 5.11; Elaborated by the author using: Banco Central de la Republica Argentina: *Indice de precios de materias primas 1995-2011* and World Bank, *Commodity Prices Data* (2007-2008)

After the parliamentary defeat of the 125 resolution, tax rates for exports reached an unofficial cap of 35 percent for soybeans and 32.5 percent for soy by-products. Confronted with this scenario, in 2010 the government introduced another policy that would assure the fiscal health of the state. The program was a trade administration policy, which forces exporters to pre-pay export tax duties in exchange for having longer time for shipping its cargoes from the day the sale was agreed. Before the regulation, exporters had up to a year to ship its cargo and pay export taxes. But under the new regulation, they have only 45 days or 180 days but only if they have pre-paid the export taxes in advance (Vilella;2010). In this way, the government can assure a steady inflow of resources to the treasury and incidentally, could even encourage increases on exports.

This regulation expounded how even if the governments did not manage to raise export tax rates in 2008, it is willing to pursue new paths to guarantee the fiscal support commodity exports revenues provided to the public budget. As is stated by Raquel Caminoa, head economist of CIARA/CEC in interview:

‘Now you have 45 days - regardless if your industry or whether you are a grain exporter... Since this is linked to the prepayment of export duties—you will have more time if you pre-paid export duties. The shortening of the time has to do with having a preconceived horizon of the fiscal revenues they will received. This is the only answer’

If the chief importance of soy products lies in maintaining a re-distributive budget, this is truth as well for sustaining a solid current account balance which the country has enjoyed since 2003. The external stability granted by a solid current account balance, as was previously argued, has bestowed on the ‘progressive’ government relatively more autonomy from IFI and developed countries in terms of developmental policies. The following section examines how the soy complex contribution to the balance of payments and international reserves, had a key role in granting to Kirhcenrism the ‘developmental space’ that allowed the formation of the post-neoliberal political economy.

#### *The soy complex and International autonomy*

The soy agro-industrial complex has been the main keeper of a balance of payments surplus which has been enjoyed by the Argentine economy in recent years. As was previously argued, the end of balance of payments deficits under the new post-neoliberal political economy has been the central factor behind Argentina’s increase in economic policy making autonomy. The country’s current account between 2005 and 2010 averaged 7.3 billion dollars surplus (chart 5.12) which, along with the external debt reduction, are the leading factors accounting for the elimination of the payments unbalances of the neoliberal period. The current account measures the balance between exports and imports of goods and services, minus the dividends, interest or financial transfers to be paid to external agents (Krugman and Obstfeld;2009). On the other hand, the balance of payments measures the balance of the current account, in addition to the balance of the financial account. The financial account includes the acquisitions and sales of financial assets such as: derivatives, FDI, external loans or other financial capital flows operations (*Ibid*;2009). When, in 1986, Argentina was subjected to its first Structural Adjustment, the IMF was capable of forcing this because even after having a positive trade balance in 1984 and 1985, in 1986 Argentina was incapable of paying its balance of payments obligations without external credit (Basualdo;2006).The balance of payments always have to balance to zero which means that economies always need to be able to cover their obligations (*Ibid*;2006). This, can be through earnings or international loans, but the essential fact is to be able to pay creditors.

In Argentina from 1986 to the 2001 default, the balance of payments deficits were funded through IMF loans, FDI and financial investments (Ibid;2006) This is why in the aftermath of the 'tequila crisis' Domingo Cavallo argued that funds coming from outside were as good as national produced wealth, given that without these foreign investments the country couldn't face its obligations (Peralta;2006). This is why the CER is at the centre of the current macro-economic governance. As a substantial trade surplus allows the government to function with a solid current account surplus, the CER breed international reserves used to reduce the external debt and reduce payment obligations, which allows the government to pay its balance of payments obligations without the need for external credit and the subjection to IMF or Wall Street disciplinary forces.

The soy complex as the chief driver of Argentina's export boom, can be considered as one of the central keepers of the recent autonomy Argentina has gained from the IMF. The lessening in the necessity for external funds to finance the balance of payments, as chart 5.12 shows, has been the by-product of current account surpluses generated by trade surplus. In this respect, soy products exports accounted, between 2004 and 2006, for 26.2 percent of total export growth and ,between 2006 and 2008, for 30.3 percent, while between 2008 and 2010 it represented 40 percent of total exporting growth (INDEC,2004dand 2011e). This has made the soy complex a vital player in sustaining the health of the current account balance and therefore of the balance of payments. In the context of the 2008/09 global crisis Argentine exports contracted by 14.3 billion dollars. In 2010 Argentine exports bounced back with a 12.8 billion dollars growth from which soy exports were responsible for 40 percent of these (INDEC;2011e). In the same way, 31 percent of the decline in exports in 2009 were due to reductions in soy exports. This makes the soy complex a key player in the condition of the balance of payments. The confirmation of the importance that current account balance is having in preserving autonomy from IFIs under Kirchnerism is that in the midst of 2009 downturn a financial run of 7.5 billion dollars left the financial account with a deficit of 9.1 billion(chart 4.13). However, with a 11.2 billion dollar surplus in the current account balance the government was capable of manoeuvring without the need for external credit, the support of IFIs or using international reserves.

The accumulation of reserves under Exchange Rate Mercantilist schemes such as the CER, are mostly the by-product of exchange rate administration. Since, by buying dollars in national currency markets with pesos, this operation places in hands of the Central Bank a significant surplus of international reserves (Onno de Beaufort and Sondergar 2007).But this operation is possible mainly because it has a 'surplus' of foreign exchange circulating in the economy as result of a trade surplus. In terms of how international trade operates on this respect, Argentine exports are paid for by international buyers in dollars, this foreign exchange is exchanged into

pesos by exporters at the Central Bank. The Central Bank allocate these dollars to the market through different mechanisms to satisfy the foreign exchange needs of the economy and, once in circulation, the Central Bank buys back a share of these dollars to overvalue the exchange rate of the dollar against the peso, giving national production a competitive advantage in external markets.

### Argentina's Current and Financial accounts 2005 to 2010

|                        | 2005     | 2006     | Variation   | 2007     | 2008     | Variation  | 2009     | 2010     | Variation    |
|------------------------|----------|----------|-------------|----------|----------|------------|----------|----------|--------------|
| <b>Current account</b> | \$6,462  | \$8,553  | \$1,551     | \$7,412  | \$7,037  | -\$375     | \$11,127 | \$3,572  | -\$7,555     |
| Exports                | \$40,352 | \$46,569 | \$6,217     | \$55,980 | \$70,021 | \$14,041   | \$55,669 | \$68,500 | \$12,831     |
| Imports                | \$27,302 | \$32,593 | \$5,291     | \$42,525 | \$54,557 | \$12,032   | \$37,141 | \$53,810 | \$16,668     |
| <b>Services</b>        | -\$133   | -\$37    |             | -\$442   | -\$1,026 |            |          |          |              |
| Exports                |          |          |             |          |          |            | \$11,029 | \$13,076 | \$2,047      |
| Imports                |          |          |             |          |          |            | \$12,088 | \$13,820 | \$1,732      |
| Utilities/dividends    | -3,231   | -4,230   | \$999(+)    | -\$5,927 | -\$6,094 | \$167(+)   | -\$6,627 | -\$7,183 | \$556 (+)    |
| Interest               | -2,516   | -1,132   | \$1,384 (-) |          | -\$1,399 |            | -\$2,317 | -\$2,770 | \$453 (+)    |
| Current transfers      | -\$565   | -\$544   | -\$21       | -\$459   | -\$2,701 | -\$2,242 + | -\$2,669 | -\$358   | -\$2,311 (-) |

|                          | 2005     | 2006      | Variation | 2007      | 2008      | Variation | 2009     | 2010    | Variation |
|--------------------------|----------|-----------|-----------|-----------|-----------|-----------|----------|---------|-----------|
| <b>Financial Account</b> | \$2,143  | \$6,439   | \$4,296   | \$4,188   | -\$10,724 | -\$6,536  | -\$9,330 | \$711   | -\$8,619  |
| FDI                      | \$3,954  | \$3,099   | -\$855    | \$4,669   | \$7,502   | \$2,832   | \$3,307  | \$5,247 | \$1,940   |
| Capital flows            | -\$1,811 | \$3,340   | \$1,529   | -\$781    | -\$8,226  | -\$19,007 | -\$4,398 | \$9,348 | \$4,226   |
| Reserves                 | -\$8,857 | -\$3,529  | -12,386   | -\$13,098 | -\$9      | -\$13,107 | \$1,346  | \$4,157 | \$5,503   |
| Other Funding            | \$1,439  | -\$10,679 | -\$9,240  | \$1,499   | \$3,699   | \$2,200   | -1,548   | \$8,077 | \$6,529   |

Chart 5.12; Elaborated by the author using: Argentina : Rasgos generales de la evolución reciente (ECLA: 2009) and: Estimaciones trimestrales del Balance de Pagos y activos y pasivos externos de la republica Argentina (INDEC 2010)

The dollars acquired by the Central Bank, become international reserves and these are used to cancel external obligations, to cover balance of payment in periods of crisis or are invested in financial instruments such as, U.S. Treasury Bonds, gold or others. In Argentina's case many of these reserves have been used to reduce external obligations in order to level the balance of payments. Argentina's external debt from being equivalent to 100 percent of GDP in 2005, was in 2011 equal to 34 percent of GDP. By been able to reduce its external debt burden, Kirchnerism is assured that, in case of a trade surplus contraction, the state will be in a position to handle the situation without external assistance.

As was discussed previously, international reserves act as some kind of self-insurance mechanism that offers greater autonomy since they can act as an essential component for balancing payment account during periods of economic turbulence. Nonetheless, the active part that trade has for international reserves accumulation under the CER regime, placed the soy agro-industrial complex at the centre of maintaining this autonomy. In principle, the main mechanism to accumulate international reserves are by having a positive current account balance, since this will suggest a certain amount of surplus hard currency in circulation that could be accumulated by Central Banks, and through the surpluses in the financial account balance, which imply positive balances of FDI, international loans or financial investments (Krugman and Obstfeld;2009). The trade balance of the soy complex in 2010 amounted to a 17.8 billion surplus, while the second exporting cluster (automotive complex) had a 6.1 billion dollar trade deficit. International reserves accumulation in 2010 were of 4.1 billion dollars, as stated at the INDEC's report in 2011, and these were possible mainly because of a positive balance on current account transactions. (INDEC;2011f)

In this respect the soy complex as the main supplier of dollars to the economy, has made available the dollars that the Central Bank sterilized in order to sustain the CER without affecting the hard currency supply. In this way the exporting power of the soy complex contributed to guaranteeing one of the self-insurance mechanisms that granted Kirchnerism greater international autonomy in recent years.

### *Agrarian Transformations and the social costs of the new 'Situation of Dependency'*

The importance of the soy complex for the reproduction of hegemonic policies of Kirchnerism, is an indication of how future developments in this cluster could determine the 'progressive' government's future. The consolidation of the role of commodity traders in driving agriculture under the guidance of soy complex, has prompted significant changes on Argentina's agrarian economy. The productivity boost, consequence from the introduction of the use of the 'technology package' re-shaped the social conditions of production and division of labour

within Argentina's agriculture. This reduced by 90 percent the labour time needed for preparing the fields for harvest. Time availability, along with higher productivity, triggered a process of business diversification in which agricultural producers began to provide 'contract services' to other agricultural producers with less sophisticated machinery. By 2010, the majority of the services needed to produce soybeans were sub-contracted. From spraying glyphosate to planting GM soybeans RR seeds with equipment designed for 'direct tillage' harvesting, and harvests collection, all these services were provided by these new 'rural contractors'. As indicated by Albertengo executive director of APRESID:

'With the implementation of these practices, instead of ten days of work- now they have to work one. They have more time to engage in different activities like renting small producers' farms. The other thing that the simplification of the system has, is to buy for instance, a 'direct tillage' machine' and since they have spare time to work in other activities producers start to provide services. There is a whole network of service providers, for instance, in my family we're producers, and we don't have one single machine; only one tractor that we use for daily activities in the farm. We have certain services providers that we paid to do the job...the famous 'rural contractors'

The introduction of bio-technology and precision farming in soy production, brought some sort of 'Agriculture without farmers' (Giarracca and Teubal;2005) in which soy producers do not own their own equipment and, instead of local rural labour force in the fields, are 'rural contractors' are found instead. As confirmed by Albetego, currently soy producers do not participate in major agricultural activities beyond buying supplies (RR seeds and glyphosate) subcontracting services or land renting. The consolidation of this modality reflected the comprehensive embracement by Argentine producers of the agri-business productive model. Some authors have called this process Argentina's integration to the 'rural globality' which implies the integration of local agriculture into the international circuits of agro-industrial transnationals, which incorporates inputs, suppliers, producer, services providers, industry, trading and final markets in a one global value chain (Gras and Hernandez;2009).TNCs have increased the level of demand and these factors have fostered managerial innovations that ended with family farming and ingrain the agri-business model in the country-side.

These innovations engendered a conceptual change among agricultural producers, which began to view themselves as entrepreneurs or investors rather than farmers(Ibid;2009).Agricultural production began to be seen as part of an extensive contracts network that went beyond the traditional rural circuits to include global agro-industrialist, investors, bio-technology providers, rural contractors, supermarket chains, in a chain on which innovation along the chain is the strategic factor for competitiveness (Ibid;2009) One of the best illustrations of these recent innovations is the emergence of 'Pool de Siembra'. The 'Pooles',are investors groups that gather for investing in crop harvesting in which shareholders collaborate with factors of production (capital, land or work) to jointly engage in agricultural production. The main objective of creating a 'Pool' (apart from attracting liquidity) is to hedge

against prices and maximize profits through scale. Through this modality, contractors, agro-chemical business, silo proprietors, producer and investors can get together and rent agricultural land to produce soybeans without having ownership of a single hectare of land. Presently, above 70 percent of soybean harvesting in Argentina is done by this kind of producer (Gras and Hernadez;2009). As a result the old-style oligarchy from being producers has passed to be reinters or investors in other people's harvests. Even if these arrangements do not seriously diminish land owners' influence, the consequences is that the means of production (agricultural-land) is presently under the 'control' of non-proprietary large producers.

These modifications facilitated the emergence of companies like '*Grupo los Grobos*', which during late 1990s soybeans boom, from being an traditional family company, diversify into transport logistics, grain storage, inputs sales, brokering and production in leased lands. In 2011, more than 115 thousand hectares were harvested by this company in Argentina alone and just 13.1 percent of the harvested land belong to this company(Di marco,2009) It has been estimated that of '*Grupo los Grobos*' profits, 40 percent are generated by crop harvesting(Moffett;2009).This means that this rather important producer (2.5 percent of soybeans crop) is a firm that has as its main source of profits not crop growing and the main corporate asset is not land ownership. As articulated by Mr. Gustavo Grobocpatel CEO of '*Grupo los Grobos*':

'Property is not what its being concentrated, what has been concentrated is management. Thanks to the lease system many people haven't lost their land and many 'remates' have been avoided. We have no ownership, I'm landless. 80 percent of what I harvest is not my land. Here the landowner myth has been destroyed.'(In, Gras and Hernadez;2009)

The country's integration into agri-business supply platforms, demanded from producers novel ways to guarantee commodity supplies for global markets. Producers, confronted with TNCs demand for scale production and to harvest in rented lands, facilitated production at scale without investing in new land. The fact was that scale production could be achieved and that scale provided lower costs, enhanced their productivity and led to them having higher bargaining power when it came to rent and grain prices negotiations. Soybeans scale production in leased land between 2002 and 2008, led to the disappearance of 60,000 productive farms (Garriacca and Teubal,2005). As Gustavo Grobocpatel admitted in an interview:

'It is truth that there are 150 thousand less producers, that vanished in the last decade. Soy's competitiveness was achieved through blood. It was no party. And what is soy's competitiveness? It is the sum of the technological and organizations' innovations that we had implemented in the country-side in the last 15 years' (Furtune; 2003; in, Gras and Hernadez;2009)



The requirement of scale production to supply 'global markets' is intertwined with the fact that the profitability of the 'Pool de Siembra' is embedded in scale production, since upfront a share of the harvests will be paid to land owners. A rural pressure group close to *Federacion Agraria*, estimated that 4 percent of soybeans producers are responsible for 60 percent of total production (Multisectorial por la soberania, 2010). The push for soybeans scale production (under the lead of the soy complex) has changed as well as the agricultural productive profile of the country. In 1997, soybeans production represented 20.7 percent of output; wheat represented 30 percent and corn 29.20 percent.

In 2002 soybeans accounted for 49 percent of production, wheat with 17.4 percent and corn 21.2 percent (Giarracca and Teubal; 2005). Even meat exports have declined its share of exports, from 7.2 percent in 2005 to 5.2 percent in 2010 (chart 3.4). In cotton producer provinces like Chaco, between 1997 and 2002 soybeans production increased in 120 percent and along with this, in 2002 merely 15 of the 64 cotton processing plants in the province were in operation. (Giarracca and Teubal; 2005). These changes in the agrarian productive profile as well have driven the concentration of farmland. Between 1988 and 2002, 62,250 thousand farms of under 100 hectare disappeared and 1,353 farms of 10,000 hectares have been incorporated into the agrarian matrix (*Ibid*; 2005). The degree of these changes haven't meant the disappearance of traditional rural subjects as Alfredo Olmedo shows, so that as a single owner of 110 thousands hectares he used to harvest only soybeans, he is surely one of the most powerful oligarchs in the country (Premici, 2011). But certainly it does show a fundamental change in the agrarian economy in the country and one in which some sectors reaped major benefits, while others paid a high cost for this 'successful' integration of Argentinean agrarian economy into the global economy.

The fact that the soy complex has consolidated under Kirchnerism is not merely a coincidence or an exclusive outcome of private sectors initiatives. If there is something that Kirchnerism has proved it is that it is not afraid of confronting big economic interests such as is proved by its challenge to the IMF, or the recent nationalization of Repsol's *Yacimientos Petroliferos Fiscales* (YPF). But no hostility has been shown to the transnational sectors of the soy complex or the expansion of the soy economy, which confirm, at least a tacit support to the undergoing processes. Some policies, even offer indications to this implicit support of the progressive project to the soy economy. As for example, is the fact that as informed by some interviewees' informers the tax regime stated by Kirchnerism at least indirectly encouraged soy production, as stated by the head economist of SRA:

'The government policy in reference to grain production is the issue- if it is true that soy pays higher export duties, soy production is still highly competitive versus other crops... Since the assumption of these governments is that the imposition of export duties, but not only of export duties but the

imposition of export regulations, is affecting seriously two key crops- wheat and corn-...Since producers know that soy has no export regulations - and since the government have become addicted to the soy generated resources - producers noticed that it was the only crop which had a low risk of intervention - on top of this was the market and climate risks—this made producers change to soy production’

High export duties across the board in all crops as well have driven producers to harvest soy as it is the most secure bet in terms of assuring profitability(Gras and Hernadez;2009). On the other hand, another policy that appears soy economy friendly, but especially with the TNCs, is the tax subsidy granted by the government to agro-industrial producers. This tax differential grant to agro-industrial producers in the soy complex a 3 percent credit on export taxes since the industrial sector of the chain buys soybeans with a 35 percent discount (soybeans’ export tax rate) to be paid by the exporter to the government in taxes. But if they process the soybeans, they only pay 32 percent in export duties (Ferrari and Martinez ,2008) Some further example of at least tacit friendliness to the TNCs in the sector, are that transnational agri-business accounted for 22 .7percent of infrastructure subsidies granted to under the Capital and infrastructure investment promotion law, which was more than 8.3 percent absorbed by car manufacturer (Azpiazu and Schorr,2010) Other illustration, is how the soy economy has become a barrier for progressive reforms. It was estimated by FAA in 2012 that in Argentina a territory the size of Uruguay is owned by foreign nationals. This same year, FAA proposed a new law to restrict this and proposed that to buy land foreign physical and legal persons should have ten years residence in Argentina (FAA;2010)

The government in response approved a law that, resembling the Brazilian law on land ownership by foreigners, limited land ownership to foreigners to only 10 percent of the territory of each of the provinces. The new law provides for the land ownership in foreign hands to continue growing without restrictions in many provinces of the national territory. Alongside this in 2011, a Chinese company acquired 330 thousand hectares in Rio Negro to produce soybeans.(Dellatore;2011) Although arguably this tacit support is against the principles that Kirchnerism profess, the reality of it is not being able to sustain this project without this sector makes it a necessary evil. In early 2011, the government announced its intention of creating once again a ‘Junta Nacional de Granos’ to protect small producers and encourage co-operative agricultural production. (Premici,2011b) Until now nothing has happened and the new ‘Junta Nacional de Granos’ it is no longer a topic in the government’s discourse, while international agricultural trade is still in hands of the private sector and especially in the hand of TNCs.

*The social cost of progressiveness in Santiago del Estero*

The TNCs led the integration of Argentina's agricultural economy into the global markets and the government's reliance on soy exports, beyond the paradox of strengthening dependency it uncovered a different paradox related to the social cost of progressive policies on local communities in extractive regions. In the rural town of Quimilí, the expansion of what big producers called the expansion of the 'agricultural frontier' has generated significant conflicts and social disruptions. Starting from the early 1990s in Santiago del Estero, and specifically in the region surrounded Quimilí, the expansion of the process of corporate land grabbing were increasing alongside the early consolidation of the TNCs led agri-business model in the country. Land ownership became conflictive in Quimilí in the late 1980 and 1990s since numerous producers of the Pampa region (especially from Santa Fe and Córdoba) began to buy very large plots of lands in Santiago del Estero, displacing numerous peasant families and communities from the land they had lived on for generations (Gonzalez and Roman; 2009). This process was part of the expansion of the agricultural frontier to Santiago De Estero, which from 200 thousand hectares harvested in 1988, had by 1999 raised the harvested hectares to 750 thousand hectares (Devani, Ploper and Perez; 2007). The expansion of land use for agricultural purposes was the result of the increases in the rent prices in the Pampa region as a consequence of the drastic growth in grains demand (particularly soybeans) that Argentina experienced with the country's insertion into the global agricultural circuits under the orbit of the agro-exporting TNCs (Gonzalez and Roman; 2009). Investing in lands in Santiago del Estero became a reasonably priced way to make extra profits for big producers. Since the cost of the land in Santiago was between 50 and 60 percent cheaper than in the Pampa, which even if yields were 33 percent lower than in the lands of the Pampa, was still good business even when confronted with the very high investment that was needed to grow in the Pampa (Ibid; 2009). A important factor was that in Santiago del Estero these big producers, instead of renting land as was the tendency in the Pampa region, as it was so cheap they wanted to buy it and was from this that social conflicts raised. The main source of conflict was that even if these communities had lived on these lands for over 20 years, which under Argentine law granted them ownership of the land, the immense majority of local residents didn't have knowledge of this law, or the economic resources to complete the required procedures in order to acquire their titles (Garriacca and Teubal, 2005). This gave the opportunity to large producers in conjunction with the provincial government to evict local peasant families from their lands. It was from the process of resistance to evictions that the *Movimiento Campesino de Santiago del Estero* (MOCASE) was founded in Quimilí in 1990. As it was stated in interview by Marta one of the founding members of MOCASE-Via Campesina in Quimilí :

‘We started to get together to resolve the problem of land eviction. In those years there were many people who had lived on their land for many years. But companies started to tell people that they have to leave the plot of land because they owned it, and the people left the land as they didn’t know their rights. We started talking with the people that still were in their farms and we started to organize to see what we could do, and what were our rights. And from that point we decided to start an organization here in Quimilí, which was the first central of the MOCASE.’

Deo, one of the younger organizers of the MOCASE in Quimilí added:

‘We started to resist the evictions- But as the companies start to see organized resistance, they started to offer money to the groups of families for a piece of the land they were expropriating from them. If they didn’t manage to negotiate with the families they hired gunmen to threaten the family or killing their animals, which are the main source of income for peasant families.’

By the early 2000s the MOCASE was strong enough to discourage big producers from continuing with force and violent evictions; however the agri-business model was already well established in the region. Land use for soy production in Santiago del Estero increased from 85 thousand hectares in 2001 to 107 thousand hectares in 2006, a 20 percent increase in 5 years (Devani, Ploper and Perez; 2007). The process of displacement experienced by peasant communities that started in the 1990s, was, by the mid-2000s, completely consolidated within the soy economy in Santiago del Estero and other northeast provinces (CAPOMA, 2009). In recent years the heart of social conflict in Santiago del Estero and Quimilí is centred around the expansion of the soy economy. As stated by Paulo, one of the MOCASE leaders in Quimilí :

‘We are opposed to GM soy production, firstly, because it can only be produced with glyphosate (Roundup) and we know that transgenic soy concentrates a lot of economic power, the concentration of the land, the environmental pollution, they don’t care about the families...The contamination of water, we’re peasants, we live from underground water, plus forced land evictions, political persecutions...This, without any real right to defend our self in courts...Since the civil code only recognized the private property....which are in the interests of the big transnational corporations’

The social effects of the expansion of soy production in this region have been devastating for the local economies and peasant families’ livelihoods in Quimilí and similar rural towns. As Paulo continue:

What they (provincial government) want is for more companies to come here to invest, they don’t realize the ecological disaster, pollution, the problem of peasant and indigenous people....there is no support for a life project for the peasant people...Because in this soy agro-export production, there is no labour, it is a business of companies; one company sell the technology package, another company prepared the land, another company spray the chemicals, another company collected the harvest and another transport company take the cargo to the ports...the people in towns just watch. The people are just doing changas (low pay temporary jobs), there is more unemployment, poverty and since you have no land, you have to sell your labour force to do some changas....to collect some roots or bushes...Since the with the machinery they have for direct tillage in 8 hours they can do 100 hectares, in 48 hours 200 hours....on average their employees work three months a year...

The economy in this town (Quimilí) is very complicated, little jobs, people are feeling the effects and don’t know how the people are going to react in 3 or 4 years it is possible that you going to have initiatives or retaking the land, because are lands that have been expropriated from them violently or under threat...this is unsustainable...this is not sustainable...

In Quimilí and most rural towns in northeast Argentina before the expansion of soy, economic activity was based in subsistence agricultural production and some commercial activities. Because of the large size of the average farm in Argentina, you could have whole towns inside lands that a company come and claim to be owners, in some cases making whole towns disappear. This dislocates the subsistence economy and forces these to move to the slums of the city of Buenos Aires. The local economy before soy, it was based on organic diversity in the production of food, rather than commodity exports. As Paulo commented:

‘We used to produce wheat, melon, onions, garlic, pork, meat. Mostly for self-consumption and a bit extra to sell; what we wanted was to eat, and then we produced food. But with soy production many of our seeds have been killed. Since glyphosate (Roundup) is a poison that our seeds do not resist. The glyphosate kills everything that is not genetically modified. It is a clear message that if plants are killed, us as living beings are as well’

Another paramount issue with soy production in these rural areas is the public health problems which use of glyphosate (Roundup) is generating. In the year 2009, research publish by Dr. Carrasco from the molecular biology research centre of the University of Buenos Aires and CONICET, reported that exposure to glyphosate could influence DNA formation causing mutations, cause cellular damage and influence the formation of brain size in embryos (Carrasco;2009). The study was conducted by petition of the national congress, since in many towns in Santa Fe, Monte Cristo, Cordoba, Chaco and Las Petacas, a rate of birth malformations above 12 over every 250 births was being reported (Ibid;2009). The impact of the use of glyphosate in local communities according to Deo:

‘When they spray glyphosate from the planes, they have to fly over people’s houses. The result for the people’s health are vomits, dizziness, eye irritations and even here in town we have experiences of abortion and birth malformations...In the goats, the chickens...we have goat that have been born without a leg or with two heads and the same with the chickens. And that in the old days didn’t happened or at least if happened it wasn’t permanent, constantly.’

A significant issue in Quimilí is that soy fields are very close to local schools and soy producers buy the loyalty of teachers and school directors by giving money to the school or building facilities that are needed. And the school teachers confronted with the fact that if is not in this way, they will not get for the government what they really need, they turn a blind eye. As Martha pointed out:

‘It is a school and right there are the silos, the planes and all the equipment – Everything - the pollution is huge there and if you say something to the teachers – they reply by saying yes, but when they sell the soy they give us a percentage –and because of that they allow them to keep spraying (glyphosate) and don’t say nothing—because they say the company helped them, but help for what---they give money to the school, but the kids keep getting contaminated’

In addition to these problems, there are severe environmental issues as result of the expansion of the agri-business model in the province. From 1992 to 2003, 2.8 million hectares of forest have been destroyed in order to facilitate the land for the corporate needs of these companies (De Dios; 2006) and water is scarce in some parts of the province (as in Quimilí ). So, paradoxically in Argentina the sustainability of a progressive post-neoliberal project, is not only embedded in reinforced dependency and delayed economic development, but as well in high social costs for rural communities that are close to soy production. Instead of stopping this abuse the national governments have gained the sympathy of the people in rural towns because as Paulo stated:

‘This hasn’t exploded because the national government’s Asignación Universal por Hijo, given pension to the people older than 65 even if they haven’t made the proper contributions and they are giving pensions to people for health reasons...at least they are giving something to the people, but is not life, for the future generation this is not sustainable’

### *Conclusion*

The soy complex is of critical importance for the reproduction of hegemonic policies of Kirchnerist post-neoliberal political economy, and provides an indication of how future developments in this export cluster could determine the 'progressive' government future. It's unlikely that short of the 17.8 billion in foreign exchange the complex contributed in 2010 (equal to the sum of all capital imports and half of capital replacements) the industrial sector this year can achieve record production. In the same way, if a 28 billion dollar trade surplus is forecast it would need to double industrial growth by 2020, and it is improbable that this will be possible without the important contribution of the main export complex of the country. In the context in which public expenditure has grown by 400 percent, the soy complex was accountable in 2008 for 9.7 percent of public spending through export taxes revenues. As well, it has been responsible for half of export taxes revenues since 2006 and the increasing soy international prices has been one factor guiding Kirchnerism export tax policy because that has provided the state with the required fiscal space for the redistributive agenda. In the same way the 7.8 billion dollars current account surplus enjoyed by Argentina between 2005 and 2011, is a key factor in the current autonomy from IFI that Kirchnerism has enjoyed. As an industry which accounts for 26.2 percent of global trade and of 35.1 percent of export growth between 2006 and 2010, the soy complex is one key pillar of this developmental policy space.

The unspoken support of Kirchnerism to the soy economy in order to re-build 'national capitalism', is reflected not only in its good relations with the TNCs in the soy sector or in its holding back in pushing for progressive reforms, but also in its complicity regarding the abuses committed against peasant communities in soy producing regions as was showed by the case of Quimilí in Santiago del Estero. The TNCs operating in the soy complex exert a disciplinary force in relation to the government which rests in its capacity to establish the boundaries of the present process of capital accumulation, forcing Kirchnerism to avoid reforms that could hinder their interest and solidifying the semi-primary export economy in Argentina. The new situation of dependency reflects the paradox of how progressiveness is at the same time reinforcing dependency, but also creating high human costs in producing regions. In the next chapter a deeper examination of the situation of dependency is presented by addressing specifically how, within the soy agro-industrial value chain, the existing post-neoliberal economy is reinforcing Argentina's dependent situation in opposition to the most dynamic centres of capitalist accumulations. It considers how these events have reinforced processes of international uneven capital accumulation between Argentina and foreign capital and, in turn, how the structural power gained by the leading TNCs in this complex has transformed the TNCs into key stakeholders of process of external disciplinary influence for the Argentine economy. This is set out in order to illustrate how the soy economy strengthens the process of

uneven accumulation between industrialized and dependent countries like Argentina and show how this hinders the country's economic development prospects.



## Chapter 6

### *The Soy Complex and the Paradox of Progressiveness*

#### *Introduction:*

The necessity for foreign exchange, export revenues and trade surpluses to sustain Kirchnerism's hegemonic policies has become the external restriction that reasserts dependency in the new progressive project. It is improbable that, short of the 17.8 billion in foreign exchange which the soy complex contributed to the industrial sector in 2010 (when it achieved record production) or, in a context in which social expenditure has grown by 600 percent between 2004 and 2010, that the redistributive public budget would be viable without the support of the 4.6 extra billion dollars the complex enlarged budget over this period. In the same way the 7.8 billion dollars current account surplus enjoyed by Argentina between 2005 and 2011 is a key factor in the current autonomy from IFIs that Kirchnerism has enjoyed. As an industry which accounted for 27 percent of exports in 2010 and 35.1 percent of export growth between 2006 and 2010, the soy complex is one key pillar supporting this developmental policy space. The reliance on the soy economy in order to overcome these external restrictions, as in the past, is incorporating Argentina into the international capitalist economy as a dependent economy. But at this historical moment the progressive project is not purely concerned with the capacity of the economy to be self-sustaining but is, in addition, also occupied with sustaining a progressive organization of capitalism and an anti-neoliberal project that can be regarded as from the centre-left.

The decisive importance the soy complex has for the continuation of the chief policies of Kirchnerism makes this cluster an excellent case to illustrate how, in particular, the post-neoliberal organization of capitalism is reinforcing both Argentina's subordinated integration into global capitalism and the power of exporting TNCs within the country. This chapter argues that the precise dynamic of the current situation of this dependency - and the related paradox of progressiveness - can be set out through the examination of the mechanisms, by which it operates within the soy complex. It needs pointing out that the unemployment rate stands at 7.9 percent; the poverty rate is at 6.8 percent; the growth of GDP growth is over 8 percent; real wages have increased by 44 percent and the Gini coefficient has declined by 10 points. Yet, all these elements are reliant on the commodity exports in general and soy exports in particular. In order to understand what creates the dynamics within the soy complex it is essential to demonstrate how the current reliance on soy exports is strengthening Argentina's subordinated incorporation into the global market, the power of exporting TNCs and the uneven process of accumulation into which the country is being inserted internationally.

In order to assess the argument, the first section scrutinizes Argentina's current incorporation into the international economy as a commodities provider by analysing the power relations operating in the trade dynamics between Europe and China, as these are the two main Argentine export markets for soy products. In the second part shows the economic power that the soy agro-industrial exporting TNCs have within this complex and how this influence, specifically, has been transferred into converting these TNCs into key stakeholders within a process of external disciplinary influence for the Argentine economy. The last section considers how these events have reinforced processes of uneven international capital accumulation between Argentina and its main trading partners in the soy business by supporting industrial growth in Europe and China. At the same time these developments have led to Argentina's economy becoming dependent on *primary products*.

### *Reinforcing Argentina's Subordination within the Global Economy*

#### *The case of Europe*

Global competition embodies the power relations in which dominant and subordinated national capitals operate. As argued by Dussel, dependency is not an international relationship of exploitation but one of subordination in a context of capitalist competition (Dussel;1990). At an historical moment in which trade relations are supposed to be guided by the principle of 'global convergence' alongside potential equalization of wages and wealth, the idea of a structural heterogeneity in the international economy arising from the asymmetrical distribution of the benefits of trade and investments will contradict the principles of globalization. But, as dependentistas argued, it is not the power relations of interdependence in the international economy which are dominant but, rather, an uneven process of accumulation that reinforces subordination for dependent economies (Cardoso and Falletto;1979). The parameters established by the WTO for regulating international capitalist competition did not reconfigure these unequal power relations amongst trading partners with unequal economic development. With the Agreement on Trade-Related Investment Measures (TRIMs), FDIs in Argentina between 1992 and 2002 amounted to 78 billion dollars and, by the year 2000, and 59 percent of the sales generated by the top 200 firms in the country were done by TNCs (ECLA,2007)(Besualdo,2006). The present international trade regime rather than reconfiguring trade relations between north and south under the principles of 'convergence', seems to keep strengthening the asymmetries which Argentina and the developing world has faced throughout the history of capitalism.

The policy synchronization between the E.U. and the U.S during the AoA negotiations is a good illustration of how international asymmetries between north and south have not been reconfigured under the current international competitive framework. The essential issue for the stalemate was the magnitude of export subsidy reduction (Hassan,1995). In the first proposal the U.S. suggested a 75 percent reduction in the volume of subsidized trade, while Europe supported merely 30 percent (Ibid,1995). With the 'Blair House Agreement' in late 1992, the U.S. and the E.U. broke the impasse by agreeing that direct payments linked to production-limiting programs in the 'blue box' category thus exempting them from reduction commitments; reducing the volume of subsidized exports from 24 percent to 21 percent; and changing Aggregate Measurements of Support agreement to be sector wide, rather than commodity specific (Hassan;1995). A few months earlier, Europe succumbed to U.S. pressure and reformed the Common Agricultural Policy (CAP) and thus embraced a U.S. style decoupled subsidies system. Introducing farmers to world prices and favouring agri-business over producers laid the foundations of the Agreement on Agriculture approved in late 1993. The policy synchronization between the E.U. and U.S on these issues brought to light the fact that decision making power still relied on developed economies and not on the 'international community'. The fact that the these agreements between developed economies were the ones that allowed the AoA to become a reality in late 1993, shows how the new agricultural trade regime had to shelter the best interests of the U.S. and Europe or there would be no agreement on agriculture. The Blair House Agreement assured Europe that direct payments linked to production-limiting programs would not be subject to reduction, which gave Europe at least one tool by which it could counter decreasing prices, sustain export competitiveness and maintain production - all in order to guarantee supplies for its agro-industrial sector. For the U.S the Agreement guaranteed a handsome reduction volume of subsidized exports to 21 percent. If we consider that the largest global agri-business in the world are U.S. based companies it can be seen that this gave its agro-exports sector a competitive advantage in terms of trade when considered in relation to less powerful traders.

The unlikelihood of developed economies having competitive advantages in global markets without subsidized production is what forced the synchronization of policies in order to guarantee uneven accumulation through reinforcing asymmetrical competition, or - in Dussel's words - dependency. Cheaper production costs in Argentina or Brazil would probably put northern farmers out of business in a very short time. In the European case, 417 million dollars in subsidies for agricultural producers were spend by the E.U. between 2006 and 2008 alone while they amounted to 529 million between 1996 and 2001 (OCED;2009). But, while the EU invested this substantial sum to assure agricultural producers' competitive advantage, it still presented during the 1990s a case against Argentina for unfair competition because of the

industrial differential tax the government granted to oil seed crushing in the country. This, in practice, was an attempt to reduce the competitiveness of the soybean crushing complex. Even if the WTO's arbitration commission decided in Argentina's favour the fact that Europe, while subsidising its own farmers, attempted to limit Argentina's industrial production – and even in a low value added sector such as is the soybean crushing sector - illustrates how the total national capital of higher organic compositions always tries to reinforce its competitive advantage to guarantee the amassing of the highest possible rates of global distribution of value (Dussel;1990). As was pointed in an interview with Raquel Cominoa of CIARA, without this differential the developed world, because of its buying capacity, will primarize all the exports of the sector in order to conduct industrial processing (and appropriation of surplus value) into their economies. As she pointed out in an interview with the author:

'In the 1990s export duties started to decline until they were removed, but what stayed in place was an industrial differential custom export duty of 3 points. We're defenders of that industrial subsidy; even if we are in a context of completely free markets....There is a need to balance the export capacity of industry versus the export capacity of grain exporters. Why? Because grain exports will always have import 0 percent duties around the world and industrial goods import duties are around 10 percent and up to 20 if you're exporting processed oil. With pellets it is not like that, it is as well 0 percent, since it is an input for animal products. Developed countries are not stupid at all, they have their export differentials, with which the value added by developing countries ..is generated by them and not by developing nations...I think that this differential balance terms of exchange inequalities between developed and developing countries.'

Analogous circumstances related to trade restrictions for value added products were put forward by the executive director of the Argentine Chamber of Bio-Fuels Producer in an interview with the author. Argentina, since 2006, had increased its exports of soybean bio-diesel by 2,250 percent, climbing up from being the seventh world bio-diesel exporter in 2006 to become the fourth largest in 2010. In that year Argentina exported 1.3 million tonnes of soy oil based bio-diesel, a total of 670 million tonnes more than in 2008 (INDEC;2011). Faced with growing competitive pressure the E.U., in 2010, imposed import restrictions to Argentine bio-diesel entering Europe on the basis of their claim that Argentine bio-diesel did not comply with the E.U. regulation that CO<sub>2</sub> emissions during processing should be reduced by 35 percent. The E.U. claimed that Argentina's bio-diesel production had reduced CO<sub>2</sub> emissions by only 31 percent. Info-Tech, a London base private consultancy, and the Argentine institute of Agricultural Technology (INTA) had both estimated CO<sub>2</sub> emission reduction in Argentina's bio-fuel production was at least 50 percent. This is a credible fact given that the major bio-diesel producers in Argentina are Glencore, Bunge and Cargill - which use the latest technology- and this reinforces the hypothesis that the E.U measure was used merely as an import barrier as was vaguely stated in interview by the director Chamber of Bio-Fuels Producer:

‘It have been repeatedly demonstrated that the emission standards established by the renewable energies commission of the European Union are completely improved by Argentina’s bio-diesel...The problem is that - even taking into account the distance from Europe, transportation cost and duties - Argentina’s bio diesel is competitive in European markets’

The underlying issue is that soy bio-diesel produced in Argentina is cheaper than most bio-diesel originating from Europe even after duties and transportation costs are taken into account. This is occurring in the circumstances that the main producers, such as Spain, Germany and France – are operating at nearly full industrial capacity, while the Eastern European oil complex and Italy are facing unused industrial installed capacity (USDA;2011). The competitive advantage of bio-diesel producers in Argentina is based on the global competitiveness of the soy complex. With one of the most advanced crushing platforms worldwide in Rosario’s upriver port and a structural logistic that links agricultural production, processing and international trade within a radius of 300 kilometres, bio-diesel producers have a very competitive position. The bio-diesel case, is another example that shows how capitals of higher organic composition when not in a dominant competitive position will ‘kick away the ladder’ to avoid increasing industrial competition (Chang2006). For instance, the E.U. is Argentina’s main export market for soy pellets. In 2010, the destination of 52 percent of Argentina’s soy complex exports of soy pellet exports is the E. U (CIARA;2011a). These exports were equivalent to 6.7 percent of Argentine exports in that year (chart 3.17). But, as soy pellets are used as the raw material to process animal feed, soy pellet have never been confronted by restrictions. On the other hand, the export of bio-fuel, which is seen by most players as a potential strategic sector for use as an energy source and industrial development and which is a finished product, faces trade restrictions in European markets.

The unequal power relations upon which Argentina’s trading relation with the E.U are based, are not only illustrated in the trade restrictions imposed by the E.U. on products with higher value added, but as well in the fact that Europe can do this without affecting its internal process of capital accumulation. Meanwhile, on the other hand Argentina cannot in retaliation, for instance, veto Europe’s capital goods imports (which rose to 25 percent of total imports in 2006) because this would endanger the reproduction of the economy. In this way trading relations with Europe have meant that, while Argentina is reasserting its subordinate position as a soy pellet exporter, for Europe Argentina is a market for the realization of capital goods products. More importantly, Europe has the leverage to do this because Argentina depends on these capital goods exports to reproduce capital accumulation and because, in addition, the E.U. represents a key export market for Argentina’s soy pellets. To impose restrictions on this product would mean that Argentina could possibly face trade deficits along with shortages of both foreign exchange and fiscal revenue. In 2010, soy pellets exported to Europe were equivalent to 6.7 percent of Argentine exports and between 2007 and 2010 exports to the E.U.

accounted for 25 percent of this product's export growth (CIARA; 2011a). Its position as an export market and capital goods supplier, place Europe in the position to 'kick away the ladder' to Argentina by blocking the entrance of higher value products to E.U markets. What this shows is that the soy complex guided international insertion is reinforcing Argentina's subordinate position in global capitalist structures.

#### *The Chinese case*

Following Nestor Kirchner's visit to China in 2004, this Asian country became one of Argentina's most important commercial partners. Between 2004 and 2006 Argentinean exports to China increased by 25 percent and Chinese exports to Argentina by 56 percent, amounting to a bilateral trade growth of 3 billion dollars in two years (Lopez,Ramos and Simkievich;2008). By 2010, China imported 9 percent of Argentina's exports and China exported 14 percent of Argentina's imports (ibid;2011). However, from the Argentine side of the business, the basis for this trading relation has been based on the growing export of soybeans to China. From 2005 to 2010, soybean exports to China increase by 157 percent and in 2010, 71.1 percent of exports to China were soybeans. In fact, soybean exports to China represented 6.8 percent of Argentina's trade in 2010 and in the same year, 27 percent of soy complex global exports (Lopez, Ramos and Simkievich; 2008).

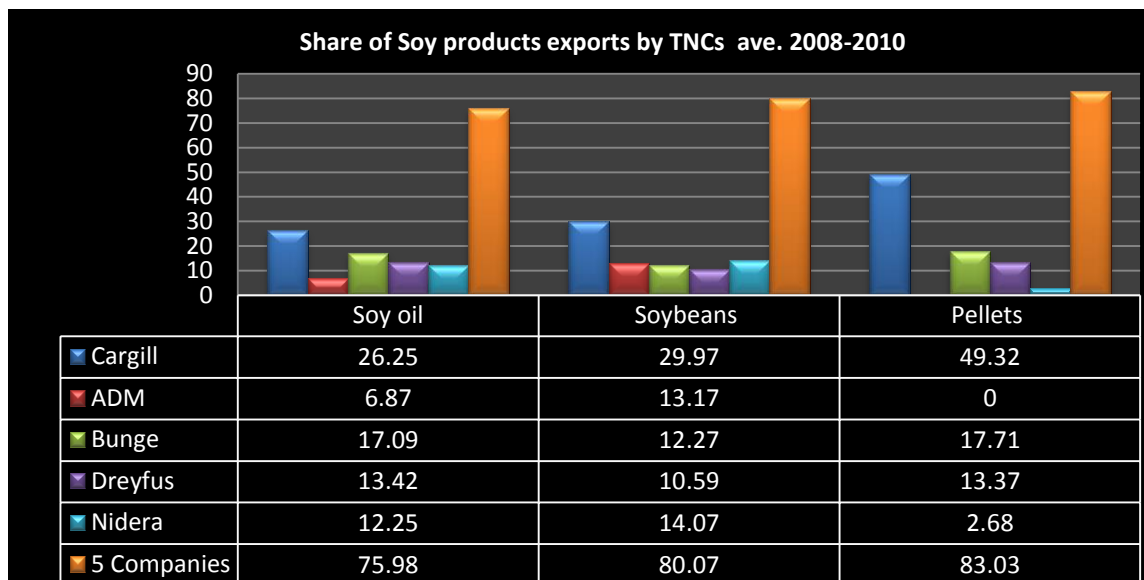
China's economic expansion, at rates of over 8 percent GDP growth for over 20 years, have increased the country's per-capita income by 358 percent over the last ten years (FAO;2011). With a population of 1.3 billion people, this has transformed China into arguably the most important driver of global demand in recent years. The recent economic growth has boosted Chinese pork consumption by 400 percent and poultry by 136 percent from 1990 to 2010 (USDA;2010). It is as a result of this change in the meat consumption pattern, that soybean imports have become strategic for China. In that country, by 2010, 50 percent of the protein animal feed used in meat production was soybean based while it also was the constituent 33 percent of edible oils consumed in the internal market(FAO;2011). But an important development in Sino-Argentine commercial relations in recent years has been that soy oil, which in 2005 represented 23 percent of Argentina's exports to China, was by 2010 only accountable for 7.5 percent of exports. This trend in trade relations with China illustrates how Argentina's integration into global markets under the guidance of the soy complex is reinforcing the primarization of its economy. Alongside Argentina's increase in soybeans exports to China, the Asian country increased its installed crushing capacity for soybeans by 66 percent between 2005 and 2010 (Ibid;2001).

This has transformed Argentina into a raw material provider to basically fuel Chinese agro-industrial growth. With a national market of 1.3 billion people and a substantial 358 per cent growth in per-capital income over the last ten years, the Chinese ISI strategy in this soybean oil seeds sector, will certainly have a significant weight in the expansion of its agro-industrial sector. This is especially true when it is estimated that China should double its consumption of soybean pellets by 2020 (pellets are a by-product of the crushed seed oils) (FAO; 2011).

As with Europe, whilst Argentina's exports to China are 97 percent commodities, Chinese exports of capital goods to the Argentine market increased from being 20 percent in 1995, to 48 percent by 2005 (Lopez,Ramos and Simkievich;2008). By the year 2010, only 3 percent of Chinese exports to Argentina were not industrial goods (INDEC;2011j). The current Chinese-Argentine relations more that reinforce a different type of economic South-South economic dealings which, in practice, is no different from the one that Argentina has sustained with the most dynamic centres of capitalist accumulation in the past. In both the European and Chinese cases, it seems that the Argentine soy complex international integration is rooted in supporting the industrial growth and higher value added activities in the most dynamic centres of capitalist accumulation, while underpinning Argentina's low value added economy. Even in the context of the current imbalanced conditions, in 2010 China banned soy oil imports from Argentina in retaliation for Argentina's use of non-automatic import licenses products manufactured by China, in order to reinforce its internal production in labour intensive industries. Yet, even if the prohibition was lifted after two months, it is another example of where a country of higher organic composition when not in a dominant position will 'kick away the ladder' to avoid increasing competition. However, in the Chinese case it is even worst since in 2010 a Chinese public firm bought 300 thousand hectares of land to harvest soybeans at Rio Negro in Argentina. What this means is that the Chinese are willing to even displace Argentine producers from the primary node of the soy global value chain and capture most of the value accumulated along the soy global chain. China's advantage in trading relations with Argentina are based on the fact that this market was accountable for 70 percent of the Argentina's soybeans export growth from 2005 and 2009(INTA;2009). This makes the expansion of the post-neoliberal political economy highly dependent upon Chinese soybean demand. China and Europe's soy product exports alone represented 13.5 percent of national exports in 2010. This represents, approximately 885 million in export revenues, 2.4 billion in foreign earning and around 1.5 billion of trade surplus, which means that the sustainability of the current economic governance is, as in the past, dependent upon capitalist's centre commodity consumption.

### *The power of TNCs within the Soy Complex*

Leading transnationals in the soy complex throughout last decades had solidified their power and have achieved almost monopoly levels. Cargill, Dreyfus and Bunge alone, were responsible for 80 percent of the soy pellets exported from Argentina between 2008 and 2010. These three conglomerates exported in addition, 57.5 percent of the soy oil and 51 percent of soybeans exported between 2008 and 2010. These three conglomerates plus ADM and Nidera, exported 83 percent of soy pellets, 75 percent of soy oil and 80 percent of the soybeans from Argentina between 2008 and 2010 (Chart-6.1). Between 2008 and 2010 Cargill, Dreyfus, Bunge, Nidera and ADM were accountable for 79 percent of the complex's exports (chart 6.1). However, this processes of consolidation has been achieved gradually over the last decades. In 1988, the top five soy oil exporters controlled only 33 percent of exports and two alone (Cargill and Nidera) were TNCs. In 1996 the top five soy oil exporters controlled 59 percent of exports and Vicentin, the Argentine agri-business, was the only non-foreign TNC among them.



6.1; Prepared by the author using information provided by: Bolsa de Cereales de Buenos Aires

In 2004 the top five exporters of soy oil controlled 80 percent of exports and among them Cargill, Bunge and Dreyfus alone exported 55 percent of soy oil in that year (Perez;2007). This transition provides evidence that under Kirchnerism, and not before, these agri-businesses obtained almost monopoly control over the Argentine soy complex even though their economic power had been growing in the previous decades.



The power achieved by these TNCs in Argentina, was part of a relocation process initiated by these companies, which implied the closing down of 25 crushing plants in the U.S. between 1990 and 2003 (Goldsmith, Fruin and Hirsch;2004). For instance, Bunge alone closed 3 plants in 2003 and AMD shut 9 between 2000 and 2003. In 2002, Bunge bought La Plata Cereal an Argentinean company, thus increasing its crushing capacity in the country by 83 percent and in 1996; Cargill established the largest crushing plant worldwide in its Parana upriver ports with an investment of 17 million dollars (Ibid,2004).

The corporate strategy of these firms was that U.S. base crushing assets would focus on supplying US agro-industrial livestock complexes and to knowledge-concentrated markets (such as those providing variations of proteins, refine flours and chemical products), while Brazilian and Argentinean operations would supply export markets (Ibid,2004). Cargill's investment at its Parana port in 1996 (plus the advantages Argentina offered) initiated a succession of investment in crushing plants by most TNCs that boosted crushing capacity from 58 thousand tonnes in 1995 to 149 thousand metric tonnes by 2006 (Vilella,2010). Investments in the soy processing sector in Argentina reflected the asymmetrical and uneven way in which international capital accumulation takes place. Higher value activities and those supplying markets with persistent demand (such as US industrial livestock complex) stayed in the U.S. home markets, while low value activities oriented to export markets were relocated to Argentina and Brazil. Soybean industrial processing in Argentina manufactures degummed soy oil which is the raw material for various finished products, and soy pellets which are made from the residue of seeds after they have been crushed (INTA;2009). Therefore, while TNCs invest in high value added ventures in the U.S., Europe or China, Argentina is merely an enclave to underwrite industrial activities in China, Europe or India and generate handsome profits in commodity exports for these TNCs.

Is important to remember, that over 70 percent of FDI is still capitalized within developed economies and that it is the remaining 30 percent of global FDIs, those that focus on low value added activities and natural resource associated activities, which are relocated to the global south (Rugraff and Sanchez; 2009). Although currently TNCs are mostly depicted as stateless corporate agents, over 80 percent of TNCs have their roots and headquarters in developed economies (Idid; 2009). At international talks nation states become brokers of their nationally based TNCs, not only to assure these firms' interests, but also to guarantee the benefits these countries received from uneven global accumulation. As was illustrated in the previous sections in the cases of the policy synchronization between the US and the EU at the AoA negotiations and the EU and China intervention, this process is undertaken in order to assure the competitive advantage of their capitals by blocking the entrance of higher value added products to their markets. For instance, in the case of the U.S, 31 percent of capital

investments, 75 percent of investments in research, plus 48 percent of exports are made by American transnationals. Moreover, American TNCs employ over 21 percent of the country's labour force, paying average wages 24 percent higher than the average in the private sector (Slaughter, 2009). So it is in the interest, of both the national states and big capitals for high value added investments to stay in the developed world, not purely for business reasons, but also as an instrument to guarantee the privileged competitive position of developed economies, and their respective TNCs, in a context of global capitalist competition.

The necessity for foreign exchange, export revenues and trade surpluses for sustaining Kirchnerism's hegemonic policies had become the external restriction that, in the particular cases of exporting TNCs, is reflected in the structural power these firms have developed over the project's future. On average these five firms (Cargill, Nidera, Dreyfus, Bunge and ADM), between 2008 and 2010, controlled 79 percent of the soy complex exports. This represented 21.3 percent of national exports in 2010. In terms of the influence these conglomerates could have in ending Kirchnerism's hegemonic policies, these firms contributed to the economy 14 billion dollars of foreign exchange in 2010; 4.8 billion dollars in exports tax revenues or the equivalent of 79 percent of the primary surplus and 5.8 of spending; and their exports were accountable for 27.7 percent of export growth between 2006 and 2010. This latter is an essential factor sustaining the commercial surplus that has granted the progressive government greater international autonomy. The structural power attained by these companies explains to certain extent why, even if this could be understood as against the principles of social justice, the Argentina progressive government, so professed, is tolerating the systemic disarticulation of rural communities in producing regions as in Quimilí. In a similar manner during the ISI period - when the dollar shortage *external restriction* led to an increasing influence of productive TNCs in the country as well as during the neoliberal period when the IMF was the main external stakeholder in Argentina's economy in exchange for loans - it appears that under the post-neoliberal economy commodity exporting TNCs are the central external stakeholders with the disciplinary influence upon the national economy. Differently from the IMF, the disciplinary power of these TNCs is not about shaping economic policy in-depth, but rather about assuring the conditions for sustaining and expanding the current structure of the soy economy in the country of their favour.

A very good example of this is the current debate existing in Argentina regarding the approval a new seed law in the country. The need for scale production transformed the use of GM soy seeds and bio-technology, as was previously discussed, into an essential part of soybeans harvesting. The importance that GM soy seeds and bio-technology currently has in Argentine soy harvesting has converted bio-technology producers such as Monsanto and Syngenta into major stakeholders within the soy value chain. But at the moment these companies face the

problems of intellectual property rights royalties that farmers should pay to them but approximately only 20 percent of them currently pay these monies. The main reason is that the 1973 seed law in Argentina allows farmers to store seeds from one year's harvest to the following one without the need to pay for intellectual property rights. (Manny;2010). The strategic alliance between bio-technology producers and global agri-business dates, at least publicly, back to the Cargill and Monsanto joint venture signed by the two giants to produce bio-technology and fertilizer in the year 1998 (New York times;1998). In Argentina, even if Singenta and Monsanto are the leading bio-technology providers, the main distributors are Don Mario (an Argentine firm) and also Nidera. The latter company apart from being an exporter and processor of soy is in the seed business in Argentina. The strategic alliance between bio-technology producer and agri-businesses in Argentina became even stronger when, apart from Cargill, Nidera also had interests in the soy seeds business. Under pressure from the government and, in order to change the seed law for one more in accordance with the current times, a lobby of the bio-technology companies, guided by ArPov plus associations such as CIARA, ACSOJA, the SRA and Cereal stock exchange of Buenos Aires and Rosario have been campaigning for a change in the 1973 law, in order to force producers to pay these 'extended royalties' which they argue will be essential in order to sustain Argentina's competitiveness. The basis of this argument was that most bio-technology firms were depriving Argentina of the newest soybean bio-technology and giving it to Brazil (Argentina's main competitor) such as the chance to be the first country to commercially release the new soy seed RR2 VT in 2011. This new release arguably increased yields and required less use of Glyphosate. As was pointed out by an informer from ArPov in an interview:

'The reality is that in the world's 'pipeline' in the next ten years are around 50 bio-technology events related to soy production and Argentina has been left out of this...because of this framework that does not respect intellectual property rights. No bio-technology company is considering releasing its products in Argentina until there is a legal framework that guarantees the payment of the 'extended royalties'....For instance, our neighbours have done what is proper and very soon in Brazil and Uruguay the RR2 VT (of Monsanto) is going to be commercially released which will affect Argentina's competitiveness'.

The debate about the seed law and the pressure that these TNCs are willing to put on the governments and the economy is a particular example of how these conglomerates are willing to exert disciplinary force in order to assure the reproduction, or the expansion, of the current soy economy. If on an issue of relatively low importance like this, TNCs are willing to close ranks together to pressure for changes in the seed law, the retaliation of these TNCs for deeper progressive reforms – such as an agrarian reform, nationalization of international grain trade or measures to reduce the reliance of commodity exports – could, arguably, provoke serious responses from these TNCs and in reality it is they who have the structural power to determine the future of the progressive project. Another important factor related to the influence that

these firms have obtained, lies in the fact that the global dimension of these conglomerates locates the future of Argentina's external economy on a dependence upon their global corporate strategy.

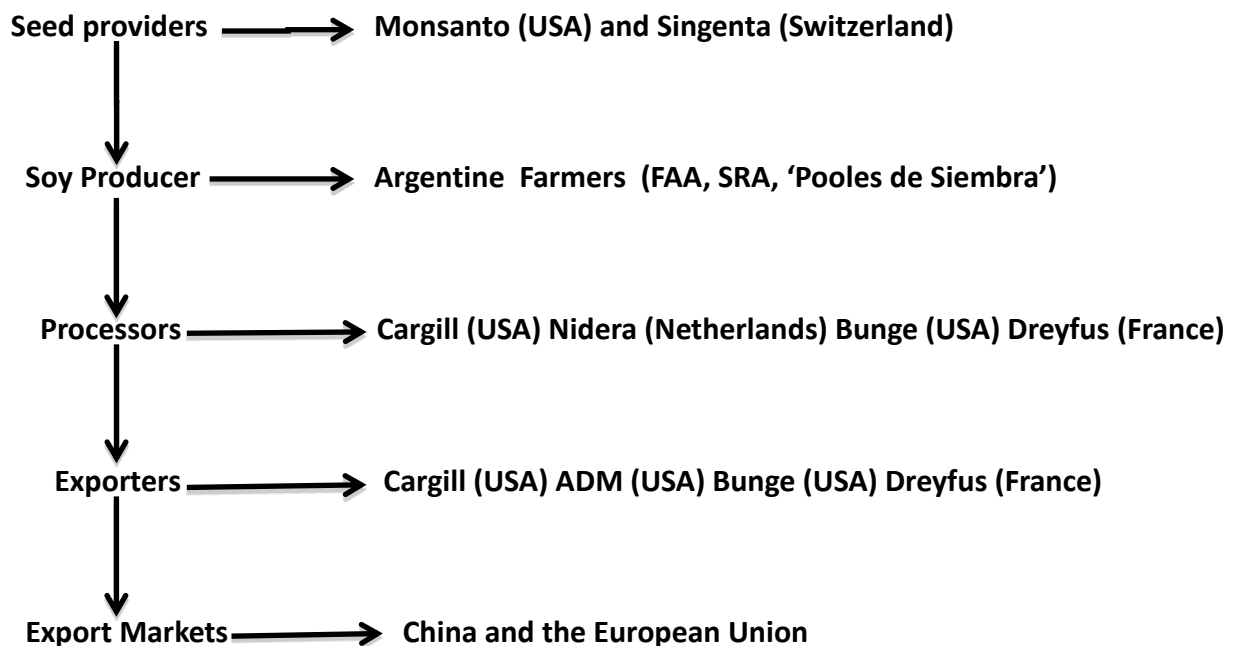
In the case of Cargill for instance, the Buenos Aires' office reports to the headquarters in Minneapolis that is responsible for 16 of states in the United States and Canada plus: Bolivia, Chile, Colombia, Costa Rica, Guatemala, Republica Dominicana, Honduras, Paraguay, Peru, Venezuela and Brazil. While Cargill International S.A. in Geneva is responsible for: Belgium, France, Germany, United Kingdom, Honduras, Italy, Romania, Poland, Russia, Ukraine, Netherlands, Greece and Turkey; while in Asia, Singapore's office is responsible for the three trading desks in China plus the other ten trading offices in Asia and Australia. Cargill as a conglomerate have 30 trading offices around the world that all report at the end of the trading cycle to the Minneapolis headquarters, which is the office responsible for 'risk management' (perhaps an innocent word for commercial speculation) of their global strategy (Soya-Tech;2008). In the greater scheme Cargill's operations in Argentina are just a tiny part of its global business, but on the other hand, being responsible for one third of Argentine soy complex exports between 2008 and 2010 this firm could decide the immediate prospects for Argentina's economic welfare. What this means that is that, in the context of volatile changes to global market trends, the location of decisions that could be decisive for Argentina's economy could lie within Cargill's headquarters in Minneapolis.

The control these transnational agri-businesses have over internal soybean demand, global markets and industrial processing, make them not only the gate keepers of Argentina's trade, but probably the most powerful agents inside Argentina's agrarian economy. The consolidation of the balance of power relations that emerged from the TNCs' influence within the chain of inputs node in effect locates bio-technology TNCs as leading stakeholders - as corporation that have the power of determine Argentina's soy complex competitiveness. In the internal demand/industrial node, agri-business are the top stakeholder as they are by far the most important demand side agents. In terms of global trade, agri-businesses are the main stakeholders, but the role of China and the European Union as drivers of Argentine's soy products mean they too are important players. This all leaves Argentine's agricultural producers and rural agents restricted to a value chain that, upstream and downstream, is governed by TNCs that have the power to determine the future of the country's agriculture and whose interest are not focussed on Argentina's agrarian economy welfare but, rather, in profiting from the current global agricultural structure (chart 6.2). An example of how these TNCs become an external disciplinary force that are shaping Argentina's rural economy lies in the fact that TNCs, in the internal trade of soybeans, are encouraging what is called 'direct sales.' These are sales that are conducted outside Cereal Stock Exchanges, but instead take

place by supply and demand side agents without the mediation of institutional frameworks of the cereal stock exchanges.

The historical role of grains stock exchanges in Argentina was to mediate in disputes between supply and demand side agents, to provide quality control standards, and to offer a transparent public market, in which supply and demand sides agents would buy and sell grain stocks. As part of this, the cereal stock exchange would register the prices of daily sales contracts of grains and, with this information, establish a benchmark reference price for the commodities internally traded. In this way, both sellers and buyers, have daily reference prices that inform the terms of negotiations.

### Foreign Dominance of the Soy Complex Value Chain



6.2 Prepared by the author

By encouraging sales transactions outside the exchanges, TNCs are aiming, first to eliminate the daily local reference price, which would give them massive buying power, and would place them in a permanent position of strength versus the supply side agent. Second, they seek to erode the influence of exchanges for settling disputes among supply and demands side agents thus fragmenting the associative power of supply side agents in local markets. As pointed out

by the director of the Gremial Association of grain storage houses in an interview with the author:

‘The buyers in their strategic policy, that’s what I think, have a long term strategic policy to destroy the Bolsas (stock exchanges). Because the Bolsas provide a ‘reference price’ in a transparent way and if I ( if hypothetically he was part of the TNCs) control the information about international prices and the locals not so much, that is to my benefit...to not have a local grain stock exchange - that makes the markets transparent... The buyer has been for a while now generating more administrative structure for encouraging this... they have been increasing direct sales harvest after harvests...It’s like a sales campaign in which every time you send more sales persons to the streets to increase your market share...And they even offer better terms of negotiations to supply side agents to encourage them to do business outside of the Bolsas...Noble stimulate this practice, Bunge as well, Cargill, not only encourage this practice but t as well have many grain storage houses in rural areas...Dreyfus stimulate this practice to a lesser extent that the others, ADM do not encourage this ‘direct sale’ practice and Vicentin neither.’

The captive nature of the soy agro-industrial value chain for local supply side agents and the substantial governance influence of TNCs, is leaving Argentinean producers and other rural actors restricted to a chain in which TNCs can even try to encourage a full restructuring of the soybean internal market in their favour without any opposition. This effort by TNCs to weaken soybeans’ market transparency in Argentina and thus leaving producers without knowledge about the price, thus affecting supply and demand conditions in the internal market, provides evidence of how these TNCs have become external stakeholders with the power to determine Argentina’s national rural economy. In addition, because of its reliance on the soy economy, advocates of industrial ‘national capitalism’ in governments had to turn a blind eye to these policies.

### *Argentina’s insertion into International Uneven Accumulation*

The Kirchnerism’s dependence on soy complex’s exports to reproduce the progressive project, has reinforced Argentina’s subordinated position within the global capitalist economy. The new situation of dependency is rooted in sustaining Argentina’s dependent insertion into the international structure of capitals accumulation. As was argued by Dusell, uneven accumulation between developed and less developed countries appears as part of a process of uneven competition between national total capitals of unequal organic composition (Dusell,1990). It is in international markets, he argues, where the sums of all capitals exercise their real behaviour of capitals *as capital* by trying to achieve its auto-expansion. In this context, it is international competition that fulfils the task of distributing the world’s total surplus value. It is also within this international process of unequal exchange where dependency is revealed and why, strengthening a commodity exporting economy, instead of challenging this asymmetrical international structure, actually reinforces the subordinated integration of Argentina’s economy into international capitalism. In the end, by underpinning

its global insertion as a commodity provider, Argentina is underwriting good margins for high value added activities in Europe and China, while for Argentina this means reinforcing its place in global markets as a low value added economy, as a consumer of technology and as a national economy with a weak internal demand. The outcome is that the present situation of dependency hinders the possibilities of increasing Argentina's national total capitals' organic composition and therefore the prospects of capitalist economic development (Marini,1970).

A case that illustrate very well this international process of unequal accumulation in which Argentina is integrated through the soy economy, is the function that Argentinean soy pellets play within Europe's food industry. In 2007, Argentina exported 15,185 tonnes of soy pellets into the European Union, accounting for 41 percent of Europe's pellets import this year (Gelmer,Kameraat and Kroes;2008). Of this amount, it is estimated that almost 100 percent was used as compound for animal feed, which meant in that year Europe's consumed 147 million tonnes. Europe's consumption of soy based animal fed that year was used in the regional production of pork meat (20,693 tonnes); poultry meat (10,641 tonnes); eggs (131 million); and milk (39 million tonnes) (ibid;2008). Argentina's soy pellets exported to Europe are merely the base product for the animal feed processed in Europe which is estimated to be 24 percent soy. This means that in the international circuit of realization of capital, Argentina's soy pellet do not represent even the finished raw material used for feeding Europe's food industrial complex. Meanwhile, for European capitals, Argentina's pellets imports are underwriting the gigantic accumulation of value generated by the food industry and global European retailers such as Tesco and Carrefour. The fact that Argentine soy pellets are cheaper in international markets than American or Brazilian pellets (USAD; 2011) means that the Argentine soy complex is increasing margins for the top 20 meat producing companies, such as Bigard in the Netherlands or Veronssil in Italy, which are two of the most important export markets for Argentinean pellets exports in Europe (Mulder;2011). In this way Argentina's main export products are supporting industrial expansion and higher value added accumulation in Europe while Argentina's is locked into a low value circuit of accumulation.

The other side of the equation is the nature of European exports to Argentina. The most important export markets for Argentinean soy pellets in Europe are Netherlands, Italy and Spain. In 2011, these markets accounted for 29 percent of Argentina's soy pellets exports (INDEC,2011j). In the same year 56.2 percent of Italy's exports to Argentina were capital goods and capital goods replacements. In the case of Spain 43.2 percent of their exports to Argentina were capital goods and their replacements while, for the Netherlands, 17 percent of their exports were capital goods and their replacements, but 43.2 percent were intermediate industrial goods (Ibid;2011). Therefore, the exports from these three countries to Argentina were based on the realization of capital in high value added industries. This allows them to

accumulate higher rates of value which they will be reinvest to increase their organic composition in order to uphold their competitive position (Dussel;1990).

In addition, the current trade relation between Argentina and European capitals through the soy trade is also a contributory factor in increasing European capitals' organic composition, not only because it fuels its industrial expansion, but also because it reduces the costs of the reproduction of the labour force (Marini;1970). By providing cheap raw material for processing animal feed, European capitals are able to produce cheap wage goods which allow them to depress wages and boost surplus value rates of accumulation. But on the other hand, Europe's capital goods imports underpin technical dependency and reinforce an economy based on the absolute exploitation of labour for Argentina. This decreases the chances of technological progress and the expansion of internal demand which are two key factors needed to end dependency (Dos Santos;1970). In this sense Argentina's integration into global markets as soy product providers hinders the prospects for increasing the organic composition of national total capital and the odds of achieving economic development (Cardoso and Falletto;1979).

In Argentina's trade relations with China a comparable situation is found. In 2011 Argentina exported 81.3 percent of its soybeans exports to China (ascending to 8,968 tonnes of soybeans) representing 16.6 percent of China's soybeans imports in that year (USDA;2011). As was discussed earlier Argentina's soybeans exports to China are basically underwriting the expansion of the China's soy pellets and oil processing industry. In addition, as in the case of Europe, Argentina's cheap soybeans are also facilitating the depreciation of wages of Chinese labour force which boosts profits for Chinese capitals. But what is particular to the Chinese case is that by supporting China's industrialization, Argentina is at the same time jeopardizing prospects of its ISI project and of increasing its industrial growth. It should be noted in this context that, in the low technology manufactured goods sector, China and Brazil in particular are Argentina's toughest competitors (Roura,2012).

Between 1985 and 2006, China's manufacturing exports increased by 23,000 percent, while the Latin American increase was only of 1,168 percent (Gallagher and Porzecanski;2010). This drastic increase in industrial exports have led some to qualify China as a 'devil' at the same as an 'angel' in Latin America, since on the one hand it is the main driver of the region's exports, but on the other hand, is obstructing Latin America's industrialization (Ibid,2010). In 1990 China was accountable for 3 percent of global manufacture goods export and Argentina of 0.01 percent. By 2006, China was accountable for 11.5 percent of global manufactures exports and Argentina 0.02 percent (Ibid; 2010). This unequal competitive relation, has led to a situation in which 54.9 percent of China's exports to Argentina in 2010 were capital goods while, on the



other hand, 71.1 percent of Argentina's exports to China were soybeans (MECON;2011). The Chinese prohibition of soy oil imports from Argentina in 2010, is a clear indication that international capitalist competition fulfils the task of distributing the world's total surplus value and that China is not willing to let go of its share.

The fact that commodity exports are one of the most dynamic economic activities in Argentina combined with the fact that the national market is not the main source of profits for large corporations, has had the effect of not pressurising industrialists to invest in research and development and thus to increase its organic composition of capital. The reinforcement of the soy economy, to certain extent, keeps locking in Argentina's economy at the lowest echelons of global value accumulation and this obstructs the chances of capitalist economic development in the country. As argued by Dos Santos, technological dependence weakens the internal realization of capital, by making dependent economies reliant on capital good exports from industrialized economies in order to uphold the expansion of capital (Dos Santos in Kay,1989). It is an essential condition for any capitalist economy to develop, that it must be able to enlarge the scale of its fixed capital, which is possible if a country can manufacture capital goods, machinery and technology (Cardoso and Falletto, 1979). In the Argentine case, as we seen from the previously cases of Europe and China, the lack of technical development makes the economy reliant on European and Chinese capital goods in order to uphold fixed capital formation and industrial/economic growth. In this way, while the foreign earning generated by the soy complex allows industrial growth and the inflow of capital goods imports, at the same it reinforces the need for exporting soy commodities in order to facilitate industrial growth, without this being conducive to industrial development. The paradox on which the progressive project is embedded lies in the fact that, in order to sustain a redistributive capitalism, the country has been asymmetrically inserted into the global economy in a way in which capitalist economic development prospects are hindered. In this way the expansion of progressiveness in its current version will lead to the expansion of dependency.

The 'national and popular' project, in order to sustain the comeback of the 'national bourgeoisie' as a hegemonic class, is reasserting Argentina's subordinated integration into global capitalist geography. This process of international unequal value accumulation at present still determines the geography of wealth and living standards at an international level and Argentinean progressiveness is underpinning its asymmetrical structure. While between 2000 and 2010, Argentina's per-capita income increased by 13 percent, the E.U-27 per-capital incomes increased by 38 percent and China's by a brutal 358%. (FAO; 2011)(Eurostat;2012). In a similar fashion, gross GDP growth over this period in Argentina was of 29 percent, 38 percent in the EU-27, and a 490 percent in China (Ibid, 2011) (Ibid; 2012). In terms of monies invested to increase the organic composition of capital, we see that the EU-27 spent 338 billion

dollars on research and development in 2010, China 110 billion and Argentina only 2.1 billion (Naik; 2011).

The post-neoliberal turn - even if it had signified an increase in living standards for the Argentines affected by the neo-liberal reforms, embraced a mild anti-imperialist tone and supported a Latin Americanist integration processes - has entrenched its sustainability in reasserting the country's dependent position in the global economy. In doing this it has hindered the prospects of capitalist economic development. In this way Kirchnerism is trapped in its very own contradictions. On the one hand, Kirchnerism aspires to build a redistribute Argentinean industrial capitalism. However, in order to advance this programme, a post-neoliberal political economy that reflects hegemonic tendencies in economic policy making rooted in industrial growth, redistribution and sovereignty, is reasserting economic dependency and obstructing the odds capitalist economic development. The resolution of this paradox will be determined by the outcome of national class struggles, but, if the Argentine progressive project seriously seeks to accomplish the endeavour that professes to end the current situation of dependency, resolving this conundrum appears to be an essential priority.

### *Conclusion*

Kirchnerism's need of foreign exchange, export revenues and a contribution to trade surpluses coming from soy complex, is reasserting Argentina's asymmetrical insertion into the global economy. It appears from the analysis of how the selected mechanism of dependency takes a concrete form in the global linkages of the soy complex, that the survival of a post-neoliberal organization of capitalism is embedded in reinforcing the country's technological and industrial demand dependency. Moreover through this, this mechanism is strengthening the structural influence of commodity exporting TNCs upon the country's economy and of the dynamic global centres' capitalist accumulation. The reliance on the soy economy to overcome the external restrictions of the post-neoliberal political economy (foreign exchanges, export revenues and trade surplus) as has been done in previous decades is incorporating Argentina as a dependent economy into the international capitalist economy. But paradoxically, at this moment, Argentina is not purely concerned with the capacity of the economy to be self-sustaining but is, in addition, concerned with sustaining a progressive organization of capitalism that can be regarded as a *Left* turn if compared with the epoch of the 'Washington Consensus' in the country.

Europe's and China's trade restrictions on higher value added products exported by Argentina combined with the fact that China and the E.U. are the recipient markets of 51 percent of soy complex commodity exports (13.9 percent of the national exports) shows how, in the concrete case of the soy trade, how the expansion of the current Argentine process of capital accumulation is reliant on industrial countries commodities demands. It also illustrates how the principles of 'global convergence' - that presume to currently govern trade - are still centres which assure the competitive position of the strongest international capitals. A concrete example here is the important influence that exporting TNCs in the soy complex have achieved in recent years. Just five companies - Cargill, Nidera, Dreyfus, Bunge and ADM - controlled, between 2008 and 2010, 79 percent of the soy complex exports, which is equal to 21.3 percent of national exports in 2010. These five firms in 2010 through their exports contributes to the economy 14 billion dollars in foreign exchange in 2010, 4.8 billion dollars in exports tax revenues, or the equivalent of 79 percent of the primary surplus. Meanwhile, their exports were equal to 27.7 percent of export growth between 2006 and 2010. This provides these with enough structural power, not only to disrupt the progressive project, but also to have an influence on their benefits in relation to the internal structural of soybean trade and to enable them to the pressure the government to embrace a seed law that will assure the intellectual property rights of bio-technology companies to the detriment of small and medium producers.

In the current framework, Argentina - by reinforcing its commodity exporting economy - is underpinning its position in the international capitalist economy as technology consumer, a low value added and low wage economy and thereby reasserting dependency. The unequal accumulation dynamic, seen through the soy complex case, shows that, while in 2010 54.9 percent of Chinese exports to Argentina were capital goods, 71.1 percent of Argentine exports to China were soybeans. This provides evidence of the unequal accumulation dynamic that has been put in place through the soy economy. In the same way, soy pellets exports to the E.U. underwrite livestock industrial complex expansion while for Argentina this means a continuation of its enduring global position as a consumer of technology from Europe. The underpinning of the soy exporting economy to a certain extent keeps locking Argentina's economy in at the lowest echelons of global value accumulation, obstructing the odds of economic development. It appears as an essential condition for any capitalist economy to develop, that it needs to be able to enlarge the scale of its fixed capital which is possible if a country can manufacture capital goods, machinery and technology (Cardoso and Falletto, 1979). In this way while the foreign earning generated by the soy complex allows industrial growth and the inflow of capital goods imports, at the same it is reinforcing the need for exporting soy commodities to facilitate industrial growth, without this being conducive to industrial development. In the same way, export tax revenues support increasing aggregate demand, but not as part of a transition towards an economy based on the relative exploitation of labour and the trade surplus it provides the international autonomy is conditioned to international prices, TNCs corporate strategies and recipient markets' strategic economic policies.

## Conclusion

### *Researching the Political Economy of Latin America's Progressive Governments*

At the time of writing, most of the continent's population is governed by progressive and anti-neoliberal political forces for the first time in Latin America's history. In this research I set out to increase our understanding of the role commodity exports are having in making Latin America's progressive governments feasible and the repercussions this is having for economic development. After nearly a decade that some of these progressive forces have assumed the presidential office, this study it provides a inclusive analysis of the structures and mechanism of the political economy of the political economy Latin America's progressive governments. At the core of the analysis has been a study of those mechanisms that are making possible the main hegemonic policies of the political economy of post-neoliberalism in Argentina and the role that commodity exports are having in making these policies viable. The thesis also aimed to capture how this reliance on the commodity exporting economy is generating a new situation of dependency that hinders the prospects of economic development while also sustaining the structural power of commodity exporting transnational corporations in Argentina. I have argued that a progressive post-neoliberal organization of capitalism, paradoxically, is fixed within a structure which is strengthening the asymmetrical and dependent insertion of Argentina's economy into international capitalism. I have, as a result, responded to the questions: to what extent are these progressive governments reinforcing the asymmetrical and dependent incorporation of their countries into the global capitalist economy, and, what are the implications of re-asserting dependency?

As part of this endeavour the main points should be highlighted. Firstly, as stated in Chapter 4, the external vulnerability generated by the need for foreign exchange, export tax revenues, and trade surpluses for sustaining Kirchnerism's hegemonic policies is underpinning the commodity exporting economy in Argentina. This means the country is positioned within international capitalism as a technology consumer, a low value added circuit of accumulation, and with an economy based on the exploitation of labour in absolute terms. Secondly, as stated in Chapter 6, while foreign earnings generated by commodity exports allow industrial growth, this processes is not conducive to economic development. This is because, instead of creating favourable conditions for the increase of the organic composition of Argentina's total national capital, the future prospects of technical progress are hindered by locking the economy into the lower echelons of international value accumulation due to the re-emergence of a commodity exporting oriented external economy.

Thirdly, as was stated in Chapter 5 and 6, the implications of re-asserting dependency through commodity exports for these projects, is that the commodity economy will shape the boundaries of progressiveness. This was shown by the experience of peasant communities in Quimilí where the power which commodity exporting TNCs had acquired under this post-neoliberal political economy has turned them into major players in the plans and hopes of the progressive project. That power has placed these progressive governments in a position of vulnerability when set against the interests of these conglomerates. However, one part of the question linked to economic development could have been addressed in a more complete way that has been done here. For example, another way of approaching this would have been to show more specifically how current industrial policy is not leading towards the development of productive forces, but instead, is mostly supporting an enclave type industrial economy centred mostly in the foreign controlled auto manufacturing industry. In addition, another factor that was not fully addressed is the vulnerability that international commodity prices could represent for the reproduction of the post-neoliberal model as an illustration of the impact that reasserting dependency could have upon these progressive governments' future prospects.

Chapter 3 addressed the premise of the argument, by showing the structure of the political economy of post-neoliberalism in Argentina and its progressive components, Chapter 4 more directly addressed the second thread by providing evidence of how the organization of capitalism is dependent on commodity exports for its viability and how this strengthens a situation of economic dependency. Chapter 5 provided a foundation for exploring the current situation of dependency by studying a specific economic sector. It showed the essential role the soy agro-industrial complex has had for the continuation of Kirchnerism's hegemonic policies and how the importance of the resources generated by the soy complex, to certain extent is linked to the government's policies. Finally, in Chapter 6, by using the soy complex's trade relations as an example, the situation of dependency was explored by showing how it is obstructing development prospects. In particular it focused on how the three mechanisms of dependency stated as indicators (asymmetrical integration, TNCs' influence and international unequal accumulation) operate concretely in relation to the main exporting complex of the country. What links all four chapters together, aside from a multifaceted exploration of the soy complex and of Kirchnerism phenomenon's itself, is an explicit focus on the exploration of the role commodity exports are having in making Latin America's progressive projects possible and the repercussion of this upon economic development. As the neoliberal organization of capitalism is in crisis and new post-neoliberal governances are emerging in the region, I argue that such an understanding will become increasingly crucial for a comprehensive analysis of the political economy of post-neoliberalism and the new 'Left' in Latin America.

This means that, instead of focusing on degrees of state intervention or the examination of policies, any analysis should incorporate the broader global context in which these policies are taking place and the implications they are having for the sustainability of the current progressive organization of capitalism.

The main original findings resulting from the study at the first tier is that, at least in the Argentine case, commodity exports are an indispensable factor for the sustainability of Kirchnerism's hegemonic policies of industrialization, economic redistribution and international autonomy. This makes the political economy of post-neoliberalism in Argentina fixed upon this reliance on the commodity exporting economy. A second point is that commodity exporting TNCs have become important players within the present economic governance as important facilitators of foreign exchange inflows, export revenues and trade surpluses, that are essential for the reproduction of the progressive project's hegemonic tendencies in economic policy making. At the second tier is the framework used to assess whether the progressive government in Argentina represents a post-neoliberal political economy or whether it is neoliberalism in another form. This is done by considering, as indicators of these changes, to what extent the nucleus of the process of capital accumulation, the concept of social reproduction and the structure of the macro-economic governance had changed. In addition, there is an examination of the potential use of the Latin American tradition of *dependency* as a paradigm that could offer the tools for developing a boarder understanding of the global context in which these governments' policies are operating and the deeper economic implications arising. To revise dependency theory in the light of the Global Value Chain analysis as had been done, it contributes on the one hand by providing an empirical study of the relations of dependent capitalism and in the other, informed debates about industrial development within Global Value Chains analysis by highlight the asymmetries between developed and developing economies. At the third tier, the direct links established between the sustainability of Kirchnerism and the economic performance of the soy complex are considered and the implications of this nexus for peasant communities in the rural town of Quimilí in the province of Santiago del Estero.

The present contributions examining the political economy of post-neoliberalism in Latin America mostly engage superficially in the analysis of capitalist relations by simply making assessments in terms of policies (Macdonald and Ruckert, 2009) or state intervention (Gruggel and Riggirozzi, 2012). It is however noted from this study that understanding how commodity exports are a fundamental part of the process of the reproduction of capitalist relations under these governments - and the impacts that the commodity exporting economy have upon these economies - provides a more comprehensive reading of the political economy of these projects.

This means overall that what has been offered is a detailed reading of the instruments that are making these policies feasible, the main economic forces behind these projects and the international economic dimensions of current processes of reproduction of capitalist relations. The research has provided some grounds to support Gudynas' statement which referred to the current situation as 'old problems under new circumstances' and Svampa's claim that Argentina has passed from the 'Washington Consensus' to some sort of 'Commodities Consensus' (Gudynas;2011) (Svampa;2011). The theoretical implication of the study for the political economy of Latin America's new progressive governments is that it again puts the question about economic development and dependent capitalism at the heart of a discussion regarding alternative projects in the region and the long term sustainability of these progressive governments. In addition that expounded the potential use of the Latin American tradition of dependency to analyse the political economy of these governments.

After the partial failure of revolutionary experiments in the region, as in Cuba and Nicaragua, the issue of economic development needs to be an integral part of the debates currently taking place across the continent. This is important given that if there is one thing the Cuban revolution has shown it is that not even the strongest of political will can economically develop a country without shaking its foundations as a commodity provider to the international market. The current post-neoliberal political economies, may have represented a progressive platform as compared with neoliberalism, and they have certainly sustained respectable economic indexes. However, by reasserting dependency through the commodity exports, they are at the same time narrowing the chances of the long term sustainability of the present patterns of redistribution, economic growth and sovereignty – aspects which can only be reassured by economic development. At a time when Argentina, Brazil and even Ecuador have recently made industrialization part of their hegemonic pledges, it appears essential to question to what extent the reproduction of the current capitalist relations based on commodity exports may hinder the possibilities of industrial development. In a similar fashion, when regional organizations - such as UNASUR, ALBA or Petro-Caribe - argued for a different development path for the region, there needs to be at the core of the discussion the question of how these regional projects will end the commodity exporting economy that, in one way or another, have been dominant on the continent since colonial times.

The research question used to guide this dissertation can also inform further examinations of the political economy of other progressive projects in the region. This can be done by using the variables set out here. So, this means gaining a better understanding of whether or not commodity exports are a fundamental part of the reproduction of capitalist relations under these governments; the role that commodity



exports have in making the progressive policies of these projects feasible; the implications of these issues for economic development; and the power that TNCs achieve through the main commodity exporting value chain. As has been shown by the present research, this could provide a more comprehensive understanding of the instruments that are making these progressive policies feasible, the main economic forces behind these projects and the international economic implications of the current economic governances. For instance, in other commodity-dependent regimes in the region that are also seeking 'progressive' policies - like Venezuela, Ecuador or Bolivia, where commodities represent over 80 percent of exports (ECLASTATS, 2013) - the framework adopted here could contribute to improving our knowledge regarding these post-neoliberal political economies. In particular, this is because it could inform a debate about how these economies have been asymmetrically integrated into the global economy under these new progressive governments. This could be done by analysing the dynamics of the international integration of the main exporting clusters of these countries into global markets. Alternatively, another approach would consist of analysing the degree of structural power that commodity exporting TNCs have in these countries as providers of export revenues and foreign exchange and supporting trade balances (especially in Ecuador and Bolivia).

In addition, by elucidating the recent dynamics of international unequal accumulation under these regimes, the particular role of current South-South relations in the present situation of dependency in Latin America can be illustrated. For example, in the Venezuelan case China is its second most important trading partner and, in the Bolivian case, Brazil represents its leading trading partner. Another important element of this research is that the analysis can be useful in identifying the weight that commodity exports are having in making progressive policies viable. It can also help in assessing the extent to which the paradox this research identified in Argentina is reflected in other nations in the region. This can provide a fruitful research path since, for instance, all these countries (Venezuela, Bolivia and Ecuador) have gained international autonomy (and policy space alongside this) because of a declining external debt (ECLASTATS, 2013). This has been reduced presumably through the gains of commodity exports and the fact that social expenditure in these countries in recent years has been subsidized through commodity export revenues (Lander, 2008). This makes the research question addressed in this thesis relevant beyond the Argentine case.

Alternatively, another approach would consist in analysing the degree of structural power that commodity exporting TNCs have in these countries as providers of export revenues, foreign exchange and supporting trade balances (especially in Ecuador and Bolivia). In addition, by elucidating the new dynamics of international unequal accumulation under these regimes, the particular role of recent south-south relations in the present situation of dependency in Latin America can be illustrated. For example, in the Venezuelan case China is its second most important trading partner and, in the Bolivian case, Brazil represents its leading trading partner. What makes this framework useful is because it seeks to identify to what extent unequal accumulation with the rising powers (especially Brazil and China) is a feature of the emerging post-neoliberal situation of dependency in Latin America. Another important element of this research is that the analysis can be useful in explaining the political economies of other commodity dependent post-neoliberal governments. Hence, by identifying the weight that commodity exports are having in making progressive policies viable, it can help in assessing the extent to which the paradox this research identified in Argentina is reflected in other nations in the region. This can provide a fruitful research path since, for instance, all these countries (Venezuela, Bolivia and Ecuador) have gained international autonomy (and policy space alongside this) leading to a declining external debt (ECLASTATS,2013). This has been reduced presumably through the gains of commodity exports and the obvious fact that social expenditure in these countries in recent years has been subsidized through primary exports revenues (Lander,2008) .This makes the research question addressed in this thesis relevant beyond the Argentine case.

In a similar way, there is scope to assess whether these projects represent a post-neoliberal political economy or whether they are neoliberalism in another form. Indicators of these changes could be obtained by examining the extent of the nucleus of the process of capital accumulation, considering the concept of social reproduction and analysing the structure of the changes to the macro-economic governance. Such an approach could well be transferable to other countries. This could provide a more integral understanding of the state of neoliberal capitalism in the region than the ones present in the literature at the moment. In addition that it offers the possibility of identify which are the social classes leading these progressive projects and the constellation of the class realignments emerging from the crisis of neoliberalism in the regions

The Argentine soy phenomenon — and particularly its integration into the deepening global agro-food networks — raises numerous questions that span broad new areas of inquiry. These include, for example, questions concerning the social and environmental consequences of soy

production with particular emphasis on: peasant communities, deforestation, climate change and public health. The growing power of transnational agri-business in the region is another possible avenue of research and, in the case of Argentina, a specific examination of the role that soy base bio-diesel could have as the future main driver of the soy exporting economy as it well as its linkages with global discourses about climate change and green capitalism. Other interesting future research vectors relate to re-examining the analysis of the importance and real possibilities of industrial policy in the developing world being used as an instrument for economic upward mobility. This can be taken alongside considering the pertinence of the linkages between state-led development and development strategy in the context of a globalized economy. This leads to asking what the prospects of universal social policies are and the potential emergence in Latin America of a peripheral welfare state can provide better results than the policies promoted by international development institutions aimed at achieving the Millennium Development Goals. Argentina's economic recovery, following one of the largest defaults in history, could also provide interesting insight about post-default economic recovery, which could be important especially when confronted with the potential default of Greece and other Southern European economies. The impact that transnational corporations have in economic development prospects in Latin America (including the Brazilian ones) and the particularities of the asymmetries that are emerging between Latin America's economies and the rise of China could also provide potentially interesting studies. Finally, exploring to what extent the Latin American tradition of dependency theory can still provide certain principles to inform interpretations of the causes of global economic asymmetries can, derived from this dissertation, make a stimulating research project. Especially as a paradigm that combined with the global value chain framework, can inform the limitations of being exports dependent and to provide empirical explanations of the causes of current economic global asymmetries form an empirical perspective.

With regards to the limitations present in this research that could be addressed in future research, it would be important to explore specifically how Argentina's industrial policy is not fostering productive forces development but, rather, is supporting an enclave type industrial economy centred mostly within the foreign controlled industrial complex. This would represent important research that could complement this study. The other limitation of this research could be addressed by undertaking a full analysis of how profits are distributed along the soy global value chain. During my fieldwork in Argentina, I unsuccessfully tried to obtain the average production costs of the industrial sector but it was impossible to gain this information. Later I learned that, through consultancies such as the German based 'Oil World', I would have had better chances of obtaining these facts but, by this time, it was too late to incorporate such data into my research. In the same way, gathering further information

regarding the economics of European industrial meat complex and the Chinese's soy oil complex, could better inform the analysis in the last chapter of the dissertation. One other factor that was not fully addressed was the vulnerability that international commodity prices could represent for the reproduction of the post-neoliberal model, a particularly relevant topic given the great volatility that commodity markets have showed over the last decades.

In spite of current arguments that not much has changed in Latin America under these governments (Taylor, 2009;Rockert, 2009) we have seen through the study of Argentina that it is a more social democratic and post-neoliberal political economy in the making. However, paradoxically, this more progressive organization of capitalism is embedded in reasserting the commodity exporting economy and hindering long terms prospects of economic development. As I learned from this research project, conducting research on corporations - particularly large private corporations like Cargill - is not an easy task. But following this experience I would reiterate the importance of researching the impacts that TNCs have in the development prospects of the region and particularly about their influence under governments that can be considered as from the left. As argued at length in different parts of this dissertation the new post-neoliberal situation of dependency - even if providing the space for progressive governments to channel these resources in a people oriented manner - is, in the long run, hindering economic development and with this the chances for creating the conditions for further transformations on the continent.

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